

TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART  
III, SECTION 4

**TELECOM REGULATORY AUTHORITY OF INDIA**

**NOTIFICATION**

**New Delhi, the 21<sup>st</sup> March, 2007**

**THE TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007  
(2 of 2007)**

**File No. 409-2/2007-FN.**----- In exercise of the powers conferred upon it under section 36, read with sub-clauses (ii), (iii) and (iv) of clause (b) of sub-section (1) of section 11 of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following regulations to further amend the Telecommunication Interconnection Usage Charges Regulation, 2003(4 of 2003) ,namely:-

**1.** (1) These regulations shall be called as the Telecommunication Interconnection Usage Charges (Eighth Amendment) Regulations, 2007.

(2) These regulations shall come into force with effect from the 1<sup>st</sup> day of April, 2007.

**2.** In the Telecommunication Interconnection Usage Charges Regulation, 2003 (4 of 2003), (hereinafter referred to as the said regulations), in the regulation 5, in paragraph (iv) , the words “and outgoing” shall be omitted;

**3.** In Schedule III to the said regulations---

(a) in paragraph 3.1,--

(i) the words “outgoing and” shall be omitted;

(ii) for the Table III, the following Table shall be substituted namely:

“Table III

Access Deficit Charge for International Long Distance Calls

Type of Call	Access Deficit Charge per minute	Access Deficit Charge to be paid to BSNL
(1)	(2)	(3)
All Incoming ILD calls	Rs. 1.00 (Rupee One only)	By ILDOs or NLDOs referred to in clause (iv) of regulation 2”;

(b) in paragraph 3.2,-----
(i) in sub- paragraph 3.2.1,---
(A) the words “outgoing and” shall be omitted;
(B) for the word and figures “pay 1.5%”, the word and figures “pay 0.75%” shall be substituted;
(ii) in sub-paragraph 3.2.4, for the words and figures “up to 31-3-2006, the subsequent payments” the words and figures “up to 31-3-2006, the subsequent payments before the 1 <sup>st</sup> April,2007” shall be substituted;
(iii) after sub- paragraph 3.2.4, the following sub-paragraph shall be inserted, namely:-
“3.2.5. For the financial year beginning on the 1st April, 2007 and effective till 31 <sup>st</sup> March, 2008, on or after the 1 <sup>st</sup> day of April,2007 during the said financial year, the Access Deficit Charge referred to in sub- paragraph 3.2.1, shall be payable at the rate of 0.75% of the Adjusted Gross Revenue for every quarter in that financial year and shall be paid in accordance within the time schedule for payment of licence fee mentioned in the licence of the concerned licensees.”.

**(R.K. Arnold)**  
**Secretary**

Note1. The principal regulations were published vide F.No. 409-5/2003-FN dated 29<sup>th</sup> October 2003 (4 of 2003) and subsequently amended vide notifications Nos --

- (i) 409-5/2003-FN dated 25<sup>th</sup> November 2003 (5 of 2003) (First Amendment);
- (ii) 409-5/2003-FN dated 12<sup>th</sup> December 2003 (6 of 2003) (Second Amendment);
- (iii) 409-5/2003-FN dated 31<sup>st</sup> December 2003 (7 of 2003) (Third Amendment);
- (iv) 409-8/2004-FN dated 6<sup>th</sup> January 2005 (1 of 2005) (Fourth Amendment);
- (v) 409-8/2004-FN dated 11<sup>th</sup> April 2005 (7 of 2005) (Fifth Amendment), which has been set aside by Hon’ble TDSAT vide its Order dated the 21<sup>st</sup> September, 2005 in appeal No. 7 of 2005;
- (vi) 409-5/2005-FN dated 23<sup>rd</sup> February 2006 (1 of 2006) (Sixth Amendment);
- (vii) 409-5-2005-FN dated 10<sup>th</sup> March 2006 (2 of 2006) (Seventh Amendment)

Note 2. The Explanatory Memorandum explains the objects and reasons of these regulations.

**EXPLANATORY MEMORANDUM TO “THE TELECOMMUNICATION  
INTERCONNECTION USAGE CHARGES (EIGHTH AMENDMENT)  
REGULATIONS, 2007” (2 of 2007) dated the 21<sup>st</sup> March, 2007**

**1. BACKGROUND**

1.1 The Access Deficit Charge (ADC) regime was put in place within the context of the evolving situation in the telecom market particularly the exponential growth trend and the sustainability of the fixed line operations in a competitive environment. This temporary support during transition was particularly important for the network with large coverage area and focused on important social objectives in the telecom sector. However the ADC, which in the very nature is for a limited period, is mainly to give time to incumbent operators for rebalancing of tariffs during a transition period. In the paragraph 101 of Explanatory Memorandum to “The Telecommunication Interconnection Usage Charges Regulation, 2003” (4 of 2003) dated the 29th October 2003, it was stated that ADC regime would be phased out in general and be merged with the USO regime in 3 to 5 years.

**2. INTRODUCTION OF ADC REGIME/REVIEW OF ADC IN YEAR 2003**

2.1 The framework of Interconnection Usage Charge (IUC) and ADC regime was established by the Telecom Regulatory Authority of India (herein after referred to as Authority) by “The Telecommunication Interconnection Usage Charges (IUC) Regulation, 2003” (1 of 2003) dated the 24th January 2003. This regime came into effect from 1st May 2003. The Authority reviewed the above regime and the revised ADC regime was notified by “The Telecommunication Interconnection Usage Charges Regulation, 2003” (4 of 2003) dated the 29th October 2003 (hereinafter referred to as the principal regulations) superseding the earlier regulations referred above and became effective from the 1st February 2004.

### **3. REVIEW OF ADC DURING THE FINANCIAL YEAR 2004-05**

3.1 Keeping in view the higher growth in subscriber base and increased minutes available to fund the ADC, Authority issued another Consultation Paper on 23<sup>rd</sup> June 2004 on 'Access Deficit Review'. As a consequence of consultation, the Authority amended the principal regulations vide "The Telecommunication Interconnection Usage Charges (Fourth Amendment) Regulation (1 of 2005)" dated the 6th January 2005, and decided to continue the same amount of ADC fund as were specified vide principal regulations. Though the per minute rates were reduced due to increased minutes available to fund the ADC for the year 2005-2006 yet there was no reduction in the ADC fund. The said amendment to principal regulations became effective from the 1<sup>st</sup> February 2005. Under the principal regulations as amended by "The Telecommunication Interconnection Usage Charges (Fourth Amendment) Regulation (1 of 2005)" dated the 6th January 2005, "other fixed line operators" were allowed to retain ADC generated from the calls originated from their networks. BSNL was allowed to get the ADC generated from other calls subject to ADC, including all incoming international calls and all calls originated from mobile (excluding intra circle mobile to mobile calls).

### **4. REVIEW OF ADC DURING THE FINANCIAL YEAR 2005-06 (INCLUDING THE MONTH OF MARCH 2005)**

4.1 The Authority conducted a third review of IUC/ADC vide its consultation paper of 17th March 2005. This consultation paper dealt inter-alia with a wide range of issues including (a) justification of ADC on fixed wireless line and admissibility of ADC to fixed line operators other than BSNL, (b) ADC as a percentage of revenue and its various variants i.e. higher ADC on National Long Distance (NLD) and International Long Distance (ILD) calls, (c) interconnection usage charges (carriage and termination) including those for incoming international calls, (d) exclusion of revenue generated from rural wireline subscribers from the ambit of the ADC, (e) possible differential termination charges for national &

international calls and (f) implication of making available Universal Service Obligation (USO) fund to meet the quantum of ADC payable.

4.2 The Authority, after following the consultation process mentioned in the preceding paragraph amended the principal regulations vide “The Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006)” on the 23rd February, 2006, effective from 1st March, 2006. By the said amendment to the principal regulations, the total estimated funding of ADC for the year 2006-07 was Rs. 3335 crores, out of which Rs. 3200 crores was the estimated ADC funding for BSNL. By the aforesaid amendment, the ADC on ILD traffic was continued to be on per minute basis but at a reduced rate of Rs. 1.60 per minute (earlier Rs. 3.25 per minute) for incoming ILD calls and Rs. 0.80 per minute (earlier Rs. 2.50 per minute) for outgoing ILD calls. In addition to ILD calls, ADC was also applicable as 1.5% of Adjusted Gross Revenue (AGR) of Access Providers, National Long Distance Operators (NLDOs) and International Long Distance Operators (ILDOS). By the amendment, no ADC was levied on revenue generated from rural wireline subscribers i.e. while calculating the ADC as a percentage of AGR of a Unified Access Service Licensee/Basic Service Operator, the revenue from Rural Fixed Wireline subscribers was allowed to be excluded. The Access providers were allowed to retain ADC generated from Outgoing ILD calls originated from Fixed Wirelines and ADC as percentage of AGR of Fixed Wirelines. Summary of Estimated ADC amount from various streams for the year 2006-07 as given in Table 8 of the aforesaid amendment is given below for ready reference:

**Table 8 of IUC Regulations dated the 23<sup>rd</sup> February 2006  
ADC Rate & Estimated ADC amount for the Year 2006-07**

<b>Stream</b>	<b>ADC Rate</b>	<b>ADC Amount (in Rs. Crores)</b>
<b>Revenue Share</b>	<b>1.5% of AGR for all service providers</b>	<b>1278</b>
<b>International Incoming Calls</b>	<b>Rs. 1.60 per Minute</b>	<b>1800</b>
<b>International Outgoing Calls</b>	<b>Rs. 0.80 per Minute</b>	<b>257</b>
<b>Total</b>		<b>3335</b>

## **5. REVIEW OF ADC DURING THE FINANCIAL YEAR 2006-07**

5.1 In the principal regulations, the Authority had mentioned that **review of ADC would be done annually**. Subsequent to coming into force of the principal regulations, w.e.f. 1st February 2004, the Authority has been reviewing the ADC regime on annual basis. The ADC framework established by the Authority envisaged that **ADC is a depleting regime and the regime cannot be continued in perpetuity**.

5.2 As part of an annual review, the Authority issued a Consultation Paper on Access Deficit Charge (ADC) on 31<sup>st</sup> January 2007. The last date for receiving comments from the stakeholders was 26<sup>th</sup> February 2007. This consultation paper, inter-alia, recalled the established framework of ADC regime, that had been established by the Authority and reviewed from time to time. In the review of ADC in 2007, by said Consultation Paper, the consultation is basically for the (a) amount of ADC for the year 2007-08; (b) mechanism for funding/ collection of such ADC amount e.g. ADC as Percentage of Revenue, per minute ADC on ILD calls, and its various variants.

## **6. FRAMEWORK OF ADC REGIME**

Salient features of ADC regime as already decided by the Authority in the principal regulations and various amending regulations are discussed briefly as under:

### **6.1 ADC IS DEPLETING REGIME**

The Authority has been emphasizing since October, 2003 onwards that ADC is a depleting regime. In this connection, the extracts of the relevant paragraphs of the Explanatory Memorandum to the principal regulations and various amending regulations are as given in the **Annexure-A** to the Explanatory Memorandum.

## **6.2 ADC CANNOT BE CONTINUED IN PERPETUITY**

The framework was established in the year 2003 that ADC regime would not continue in perpetuity. In this connection the extracts of the relevant paragraphs of the Explanatory Memorandum to the principal regulations and various amending regulations are as given in the **Annexure-B** to the Explanatory Memorandum.

## **6.3 NO NEED OF FRESH CALCULATIONS FOR THE ADMISSIBILITY OF ADC**

The ADC framework established by the Authority envisaged that since ADC is a depleting regime and cannot be continued in perpetuity, therefore, the need to carry out fresh calculations for the admissibility of ADC does not arise. In this connection the extracts of the relevant paragraphs of the Explanatory Memorandum to the amendment to principal regulations are as given in the **Annexure-C** to the Explanatory Memorandum.

## **6.4 PHASING OUT OF ADC BY 2008-09 AND FUTURE SUPPORT IF REQUIRED THROUGH USO FUND**

The Authority has already stated in 2003 that the ADC regime will be phased out over time and will be merged with the USO regime in 3 to 5 years. In the principal regulations and further amendment to the principal regulations, the Authority has established the framework of ADC including its lifespan. In this connection the extracts of the relevant paragraphs of the Explanatory Memorandum to the principal regulations and various amending regulations are as given in the **Annexure-D** to the Explanatory Memorandum.

## **6.5 ADC SHOULD BE REPLACED OR MERGED WITH USO REGIME**

The Authority has already stated in 2003 that the prevailing ADC regime should be made to transition towards an USO type of regime in 3 to 5 years. In further amendment to the principal regulations the Authority has emphasized merger of USO and ADC. In this connection the

extracts of the relevant paragraphs of the Explanatory Memorandum to the principal regulations and various amending regulations are as given in the **Annexure-E** to the Explanatory Memorandum.

**7. CONSIDERATION OF THE MAIN COMMENTS / ISSUES RAISED BY THE STAKEHOLDERS:-**

7.1 Authority received comments from 14 stakeholders including preliminary response from BSNL. Comments received from stakeholders have been put out on TRAI's website and Open House Discussion was held at New Delhi on 6<sup>th</sup> March 2007.

7.2 BSNL has furnished its preliminary response enclosing therewith copy of the Appeal No. 6/2006 [3 volumes] along with rejoinder, containing the fundamental submissions raised by them before the Hon'ble Telecom Dispute settlement Appellate Tribunal (TDSAT) and mentioning therein that the contents of their appeal be taken as an integral part of their "without prejudice preliminary response". BSNL also mentioned that it would furnish its response immediately on the completion of the hearing before the Hon'ble TDSAT. In this regard it is mentioned that TRAI has already furnished its reply to Appeal No. 6/2006 before the Hon'ble TDSAT. The present exercise is an annual review for funding/collection of ADC amount for the year 2007-08 within the ADC framework already established by the Authority. The appeal referred to above pertains to the ADC for the year 2006-07 wherein BSNL has challenged "The Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006)" dated the 23rd February, 2006.

7.3 The Authority has considered comments of the stakeholders and other inputs and analysed the matter in detail. The comments/issues raised by stakeholders are discussed briefly hereafter. For the sake of clarity points raised by stakeholders are given in the *italic* font followed by the consideration of the Authority on that point.

#### **7.4 ISSUE-I: WHETHER ACCESS DEFICIT REGIME TO BE CONTINUED**

7.4.1 The comments received from the stakeholders on this issue are summarized in para (a) to (h) and dealt with in the paragraphs following thereafter:

- (a) *ADC should be done away immediately, it is unwanted burden on the customer, a source of various distortions, grey market and hurdle in Internet Telephony launch.*
- (b) *There is no case for continuing access deficit regime in the telecom sector.*
- (c) *ADC should not be admissible to BSNL as it is a profit making company. For the year 2005-06, BSNL's total profits stood at Rs. 8739 Crores.*
- (d) *As per BSNL's Audited accounts Investment plus profit for the year 2003-04 is Rs. 15,923 Crores, 2004-05 is Rs. 18,998 Crores and 2005-06 is Rs. 16329 Crores. Any company having access deficit cannot make investments through internal resources and at the same time make profit to such extent.*
- (e) *There are number of new revenue streams like broadband which provide additional revenue for copper network. BSNL can generate additional revenue by unbundling its copper local loop. The potential to bear this notional loss of revenue clearly establishes that it is not incurring any access deficit.*
- (f) *Even after providing sufficient time for tariff re-balancing, continuance of the same level of ADC in a growing market will put undue burden on the subscribers and the objective of tariff re-balancing will never be achieved.*
- (g) *It is not fair to fund the competitor's operations at the cost of private operators.*
- (h) *ADC should continue till the deficit is made zero.*

7.4.2 Since the inception of ADC regime, Authority has been receiving divergent views from the stakeholders regarding admissibility of ADC. Some of the stakeholders perceive the ADC as an unwanted burden on the consumers; a disproportionate enrichment of the incumbent at the cost of the competing operators; creating distortions in the market; creating arbitrage and thereby resulting in grey market in international calls. The other view supports not only continuation of the ADC but argues for an enhanced scale / amount of ADC. The justification given by BSNL inter-alia includes that it is meeting social objectives by its significant investment in rural areas where the private operators have shown almost negligible presence. The Authority after considering the divergent views decided to provide Access Deficit Charge for sufficient time for tariff rebalancing. The Authority considered that it was necessary to provide ADC to incumbent for a limited period to enable him to rebalance the tariff and at the same time it should not continue in perpetuity causing undue burden on the consumers and various distortions in the market. It is not the sudden decision of the Authority now but the depleting regime was made known since 2003.

7.4.3 Keeping in view the framework of ADC regime already established by the Authority by principal regulations as amended from time to time, the Authority has decided to continue the ADC regime within the earlier determined framework for the year 2007-08. It is to be emphasized here that this transition was specific to the present framework and does not exclude, if required, the possibility of considering funding the below cost rural fixed line operations of BSNL from USO Fund.

## **7.5 ISSUE-II: ADC TO PRIVATE FIXED WIRELINE OPERATORS:**

7.5.1 The views of the various stakeholders on this issue are summarized in paras (a) to (c) and dealt with in the paragraphs following thereafter:

*(a) There is no justification for providing any ADC to any private fixed operator as they are:*

- (i) *Offering services only in the urban and semi-urban areas where tariffs are forborne and the issue of an access deficit does not arise.*
  - (ii) *Predominantly using wireless networks to offer their services.*
  - (iii) *Have an average monthly rental that is higher than the cost based rental for wireless systems.*
- (b) *The Authority allowed the other fixed operators to retain ADC as a % of AGR and on a per minute basis on their outgoing ILD calls. It is submitted that this above gave the private fixed operators an anti-competitive advantage over their wireless counterparts, which was not in the interest of level playing field. Hereinafter private fixed operators should no longer be incorrectly and unfairly entitled to ADC.*
- (c) *Phasing out of ADC to other Basic Service Operators (BSOs) should be done only when overall ADC regime is phased out.*

7.5.2 The Authority by principal regulations had not treated other fixed line operators at par with BSNL. Under the principal regulations only BSNL received the ADC from mobile-to-mobile calls and international calls to/from mobile. In that regime other BSOs were allowed to get ADC for all calls that terminate in their network and originate from their network. While examining the case for ADC to other service providers, the Authority had stated in para 57 of the principal regulations that phasing out of ADC to other BSOs may be earlier than the overall phasing out of the access deficit regime.

7.5.3 In the principal regulations as amended by “The Telecommunication Interconnection Usage Charges (Fourth Amendment) Regulation (1 of 2005)” dated the 6th January 2005, the Authority decided that operators other than BSNL should continue to be treated differently from BSNL in terms of the ADC applicable to them. The other fixed line operators were allowed to retain ADC on outgoing traffic from their fixed subscribers and

no ADC was paid to them on the traffic terminating in their fixed line network. In the said amendment to principal regulations, BSNL received ADC on all incoming international calls and all outgoing calls from mobile subscribers (excluding mobile to mobile intra-circle calls).

7.5.4 In the principal regulations as amended by “The Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006)” dated the 23rd February, 2006, the Authority allowed other fixed line service providers to retain ADC as percentage of AGR of their fixed wireline operations and ADC on per minute basis from ILD calls originating from their fixed wireline operations.

7.5.5 It is apparent from the above that operators other than BSNL continued to be treated differently from BSNL in terms of the ADC applicable to them. Rationale for such treatment have been explained in the previous IUC Regulations, which inter-alia includes lower cost of access involved with fixed line provided through wireless terminals and the spread of subscribers in urban and rural areas. These factors continue to be relevant even today.

7.5.6 The Authority examined the comments received from stakeholders and also recalled the analysis and consideration in Para 27 of explanatory memorandum of “The Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006)” dated the 23rd February, 2006, wherein the Authority considered that “Though there is no justification of ADC for other fixed line service providers yet since other fixed line operators have to compete in the market, therefore, they are being treated at par with BSNL as far as retention of ADC in terms of percentage of fixed wireline AGR and on outgoing international calls from their fixed wireline subscribers.” These reasons continue to be relevant even today. Therefore, in the regime notified under the present amendment to the principal regulations, other service providers having

fixed wireline operations are allowed to retain ADC in terms of percentage of AGR of fixed wireline services.

## **7.6 ISSUE-III: EXTENSION OF ADC BENEFIT ON RURAL WIRELESS IN LINE WITH RURAL WIRELINE**

7.6.1 The views of the stakeholders on an extension of ADC benefit on rural wireline has been that *the existing principle of exclusion of revenue earned from rural wireline subscribers from the total AGR of the Access Providers should be extended to rural wireless as well, in case the revenue sharing mechanism for recovery of ADC is continued in the year 2007-08.*

7.6.2 In the principal regulations as amended by “The Telecommunication Interconnection Usage Charges (Seventh Amendment) Regulation (2 of 2006)” dated the 10<sup>th</sup> March 2006; the Authority has clearly explained in the explanatory memorandum to the said amendment regulations, 2006, the rationale behind not excluding the revenue generated from rural wireless subscribers from AGR. The Authority does not find any reason to change the existing framework and reiterates that only revenue earned from rural fixed wireline subscribers shall be excluded from the AGR of the Access Providers and such AGR shall be used for calculation of ADC in terms of percentage of revenue share.

## **7.7 ISSUE-IV : DOUBLE INCIDENCE OF THE ADC ON ILDOs**

7.7.1 On this issue the views of the stakeholders has been that *the present mechanism of funding of ADC results in double incidence of the ADC on ILDOs by requiring them to pay ADC both on a Per minute basis and also as a percentage of their AGR. The requirement of payment of percentage of AGR by ILDOs should be dispense with, since a major portion of the ADC is already being contributed by the ILDOs on a Per minute basis on ILD incoming calls.*

7.7.2 While amending the principal regulations by “The Telecommunication Interconnection Usage Charges (Sixth Amendment)

Regulation (1 of 2006)” on the 23rd February, 2006, the main concern of the Authority had been that the contribution of ADC from ILD sector should remain at the same order, as was earlier when principal regulations were made in October 2003 and amended in January 2005. It may be noted that ADC generated from ILD calls on per minute basis is not the part of the AGR of the ILD operators. Therefore, the collection of ADC as percentage of AGR of ILDOs is significantly less as compared to ADC generated from ILD incoming and outgoing calls. Imposition of ADC on ILD sector as percentage of AGR as well as on per minute basis on ILD calls was the outcome of well-thought process and the rates were so specified that approximately Rs. 2100 crores can be recovered from ILD sector (estimated ADC from ILD incoming calls was Rs. 1800 crores, from ILD outgoing calls was Rs.257 crores and from percentage revenue share of ILDOs was Rs. 24 crores). Further, imposition of uniform percentage on AGR of all service providers including the ILDOs for ADC was prescribed to avoid any misreporting or transferring of revenue from one service to another service.

7.7.3 While amending the principal regulations by the “The Telecommunication Interconnection Usage Charges (Eighth Amendment) Regulations, 2007”, the Authority has decided to continue the present regime of imposing an obligation upon all service providers including ILDOs to pay ADC on uniform percentage of AGR.

## **7.8 ISSUE V: USO AND ADC**

7.8.1 The views of stake holders on USO and ADC are summarized in para (a) to (d) and dealt with in the paragraphs following thereafter:

- (a) *USO and the ADC meet similar objectives and that it is undesirable to have to different vehicles and two different mechanisms in force to meet the same policy objectives.*
- (b) *There should not be any ADC. Instead, the relevant assistance should be provided through the USO regime.*

- (c) *The scope and objective of ADC and USO is totally different, mobile operators are also getting funds from USO, there is no rationale for the merger of USO and ADC.*
- (d) *There is no need to debate USO at this stage. Regarding merging of ADC and USO, there should be separate consultation process.*

7.8.2 Presently the Government is collecting the USO amount as 5% of Adjusted Gross Revenue as part of revenue share Licence Fee. The Authority in “The Telecommunication Interconnection Usage Charges (Fourth Amendment) Regulation (1 of 2005)” dated the 6th January 2005, noted that there is a considerable overlap among the objectives of the USO and ADC regimes. Further over the time, with the USO regime being implemented in terms of “net cost SDCAs” as was notified by the USF Administrator in early 2004, the overlap between the ADC and USO will in fact increase.

7.8.3 In the context of USO fund, the Authority in Para 3 of the Explanatory Memorandum to “The Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006)” dated the 23rd February, 2006, indicated that the Authority would submit suitable recommendations to the Government on this issue so that finally USO regime takes care of support on account of ADC also. TRAI had already communicated to DOT vide its letter dated the 20th September 2006 and subsequent reminder dated the 22nd November 2006 that DOT may like to consider further course of action in view of the fact that the ADC is a depleting regime. Since the matter has already been referred to competent Authority viz DOT, for consideration, therefore the Authority is of the view that any subsequent action in this regard will be from DOT.

## **7.9 ISSUE-VI: QUANTUM OF ACCESS DEFICIT CHARGE**

7.9.1 The views of stake holders relating to the quantum of Access Deficit Charge for the financial year 2007 – 08 are summarized in para (a) to (e) and dealt with in the paragraphs following thereafter:

- (a) *The Authority should maintain the present trend of reduction in ADC.*

- (b) ADC reduced by 2/3<sup>rd</sup> in 06-07. ADC may be reduced to Rs. 1600 crores for the year 2007-2008 and nil thereafter.*
- (c) ADC should be reduced at a higher rate of around 60% of Rs. 4800 crores so that quantum of ADC for BSNL is restricted to Rs1280 Crores.*
- (d) ADC should be reduced by Rs. 2334 Cr. i.e. the difference between last year ADC and year previous to that, thus Rs. 1000 crores would be the ADC for 2007-08.*
- (e) Total ADC per year to be provided to BSNL to off-set its deficits emerging due to provisioning of below cost Rural Wireline telephony on account of rental, free calls and subsidized call charges is of the order of Rs.14301 crores.*

7.9.2 The Authority in principal regulations has done detailed calculations in consultation with BSNL for the total ADC amount based on historical costs. The ADC framework established by the Authority envisaged that since ADC is a depleting regime, the regime cannot be continued in perpetuity, and thus the need to carry out fresh calculations for the admissibility of ADC does not arise.

7.9.3 The basis for arriving at the regime has been clearly brought out in paragraph 24 of Explanatory Memorandum to the principal regulations, which is as under:

“The Authority noted that the difference between historical costs and forward looking costs would be large, and relying on costs based only on modern and forward looking technologies would imply a large burden from the stranded costs for BSNL. While the Authority feels that change over to FLLRIC model is imperative, it examined the implications of a sudden changeover against a gradual changeover. Since BSNL is the major supplier of telecom services in the country and has also contributed the maximum for achieving the targets of rural tele-density and in supporting low paying subscribers, a changeover to FLLRIC at present would adversely affect the services provided not only to rural and low paying subscribers but also the telecom industry in the country as a whole. The Authority noted that BSNL is already deploying latest technology and lower cost equipment in its expansion programme. Since wireless technology is being used, it is expected that some of the existing network will also be gradually replaced by such

equipment. In short, the approach is to achieve full shift to FLLRIC cost in a gradual manner over a few years rather than a single year change. The latter would leave heavy stranded cost and would be quite impractical. The Authority therefore, decided to rely on costs for the current year, based on as recent audited costs as possible. For this purpose, it worked with more recent data than was used in the initial IUC exercise. The Authority was of the view that with the changes in technology and a reduction in equipment costs taking place rapidly, the amount of funding required for ADC would decline. Over time, within a few years, therefore, it may be possible to do away with the ADC regime, and the ADC regime could be merged with the USO regime. This would be similar to the situation in most other countries, where the ADC regime had been combined with the USO regime, rather than the ADC funding being provided through a separate ADC regime.”

[Note: ‘FLLRIC’ in the above paragraph means Forward Looking Long Run Incremental Cost]

7.9.4 As mentioned before, the estimated ADC for BSNL for the year 2006–07 was Rs. 3200 crores. The reporting requirement for ADC collection / paid by service providers is one month after each quarter. Information regarding incoming and outgoing traffic minutes is also separately furnished by the service providers to TRAI. The actual receipt for the financial year 2006 – 07 have not been finalized but the receipt of the first two quarters and the projections for the remaining two quarters are reassuring in terms of anticipated / estimated ADC collection.

Attention of the Authority has been drawn to the annual administrative report of BSNL regarding the ADC receipt for 2004 – 05 and 2005 – 06. The said reports also mention that ADC for 2003 – 04 has been ‘nil’. The Authority has gone into the details. Some of the ADC amounts received are reflected in net adjustment of interconnection charges, IUC from basic and cellular service providers and contribution of BSNL to ADC. It is to be noted that ADC collection reported by BSNL from ILD incoming and outgoing traffic has not been fully reconciled with the ADC generated from ILD incoming and outgoing traffic minutes as reported by ILDOs. BSNL collects ADC from ILDOs, NLDOs on the basis of volume of ILD traffic reported by the access providers for each service area, segregating/ billing ILDOs/ NLDOs individually on the basis of data

received from access providers delays the process of recovery of ADC and hence reporting to TRAI in a time bound manner. This has also generated a problem in reconciliation as sometimes bills raised by BSNL are delayed in some service areas. ILDOs report to TRAI the amount of ADC paid up by a particular date on the basis of bills raised by BSNL. Thus, the quarterly reconciliation regarding ADC collection has not been possible. There is obvious need for strengthening the billing and recovery mechanism at the level of BSNL so as to ensure the timely recovery of ADC generated from ILD calls. The Authority is equally concerned regarding the reporting procedure of ADC by BSNL. However, the Authority remains convinced that the projection of the Authority regarding ADC to BSNL has been either fully realized or in the process of being realized through compilation of billing and other adjustment. These factors have also been kept in view while determining the framework of ADC for the financial year 2007 – 08.

7.9.5 The Authority has also noted that BSNL has not actively responded to the key purpose for which ADC was given. It may be recalled that ADC had specific purpose to be fulfilled in a time frame (i.e. tariff rebalancing). Further, BSNL is now offering tariff regime for bundled services which appear to be having some element of cross subsidy.

7.9.6 Adjusted Gross Revenues (AGR) for the financial year 2007–08 has been estimated by taking the average subscriber base at the mid point of the period, namely mid of financial year 2007 – 08 and multiplying it by the monthly average revenue per user (ARPU) taking account of all revenues of access providers and the long distance operators, including both the National and International Long Distance Operators. ARPU has been estimated after subtracting the pass through component so that its multiplication with subscriber base gives AGR figure. The estimated AGR for wire-line, Mobile(including WLL), National Long Distance and International Long Distance services after deduction of revenue generated

from rural wireline subscribers has been estimated well above Rs. 90,000 Crore for the financial year 2007-08.

7.9.7 International incoming minutes for the financial year 2007–08 has been estimated based on the information provided by the various ILDOs. The Authority has received information from all ILDOs for month of April 2006 to January 2007. The reported ILD incoming minutes for 10 month period are 8762 millions. The Authority has also considered the estimations given by the stakeholders regarding international incoming minutes for the year 2007-08. The Authority has considered about 14000 millions international incoming minutes for the year 2007-08. The Authority also notes that a separate recommendation on ISP licence regime is being actively considered and will be sent to the Department of Telecommunications soon. It is expected that the scope of services under the licence would be less restrictive than existing today. It will have its influence on the overall estimation of international calls passing through telecom service providers. It is acknowledged that reduction in ADC rate for incoming international minutes will further depress the grey market and boost the international minutes through legitimate route but the growth trend has been deliberately kept conservative to ensure robust but definite inflow to BSNL on the score.

## **7.10 ISSUE-VII: OPTION FOR COLLECTION OF ADC**

7.10.1 Authority in its consultation paper dated 31<sup>st</sup> January, 2007 given some possible options, as illustration, for collection of ADC during financial year 2007 – 08. These options are as follows:-

- (i) Move to a revenue share regime if the incidence of burden can be ensured on International Calls.
- (ii) Per Minute basis from ILD incoming and Outgoing and percentage of revenue share (same as existing Scheme) though at reduced scale.

- (iii) Per Minute basis from ILD incoming only and percentage revenue share on the AGR of all telecom service providers.
- (iv) Recovery of Complete amount of ADC from ILD Incoming calls on per minute basis only and no ADC from percentage revenue share.
- (v) Recovery of complete amount of ADC from ILD Incoming and Outgoing calls on per minute basis and no ADC from percentage revenue share.

7.10.2 Comments received from stake holders have been summarized under (a) to (p) and dealt with in the paragraphs following thereafter:

- (a) It should be funded only from ILD incoming calls on per minute basis and no ADC from percentage of revenue share.*
- (b) An ADC of Rs. 1 per minute on incoming ILD calls will be sufficient to meet the ADC requirements for 2007-08.*
- (c) Highest priority should be given to reducing domestic tariffs to meet domestic consumer interest and spurring sustained growth.*
- (d) No ADC should be levied on Outgoing ILD calls, this would put the ILD calls from switched network at par with internet telephony.*
- (e) Equitable and non discriminatory treatment of all services under a revenue share approach would be consistent.*
- (f) If the collection is made through percentage of revenue share only, the percentage of revenue share will be increased from existing 1.5% of AGR, thereby burden on domestic industry would increase.*
- (g) Option II would provide some relief for domestic industry by reduction in the existing percentage of revenue share, however, the benefits to the domestic industry would not be as much. In addition this methodology would be cumbersome to administer since a small portion would be collected from various sources.*

- (h) There are no compelling reasons to consider any major change in the mechanism of funding/collection of ADC in FY 2007-08, especially when ADC would be reduced to Zero by 2008-09.*
- (i) Option III would give limited relief to the domestic industry, by way of reduction in % of AGR however it looks that the benefit of international outgoing calls would be at the cost of domestic calls*
- (j) ADC can be recovered by Rupee 1 per minute ADC on ILD incoming calls plus 0.25% to 0.5 % of the AGR.*
- (k) TRAI should remove disproportionate ADC burden placed on international calls.*
- (l) By loading different ADC rates on the basis of direction of traffic, TRAI has changed traffic pattern*
- (m) There should be ADC on outgoing and incoming international calls and other service providers should be allowed to get ADC on incoming international calls terminating on its network.*
- (n) Reduction of ADC on Incoming ILD calls will reduce the arbitrage opportunity and check ILD grey traffic as well as boost the volumes of ILD traffic.*
- (o) The ILD traffic data clearly indicates that the demand for the international voice service is highly elastic.*
- (p) The concept needs to be looked into afresh. There is need to remove the sunset clause and the concept of depleting regime.*

7.10.3 The Authority has taken the various comments and inputs into consideration. While deciding the pattern of funding this ADC regime, the Authority has also taken various objectives into consideration, which inter-alia include the following; namely:-

- (i) to make telecom services more affordable to consumers.*
- (ii) to reduce burden of ADC on domestic sector.*
- (iii) to remove the distinction between national and international outgoing calls in terms of ADC in the interest of consumers.*
- (iv) to create level playing field between outgoing international calls made through Internet Telephony and switched traffic minutes, thereby*

boosting growth of traffic minutes through switched telephony resulting in growth of revenue.

- (v) to reduce the available arbitrage margin in International Calls thereby addressing Grey Market.
- (vi) to facilitate merger of ADC regime with USO type mechanism for ADC funding, if such merger is envisaged in future.

7.10.4 Keeping in view the various objectives referred to in the preceding paragraphs and also the views of the stakeholders, the Authority considered that Option (iii) at para 7.10.1 above i.e. Per Minute basis from ILD incoming only and percentage revenue share on the AGR of all telecom service providers, is the most preferred option. **The decisions, therefore, taken by the Authority in the present amendment to the principal regulations are as follows:-**

- (a) Reduction in percentage of AGR (excluding the revenue generated from rural wireline subscribers) from the existing 1.5 % to 0.75%;**
- (b) Removal of per minute ADC from Outgoing International Calls;**
- (c) Reduction in per minute ADC on International Incoming calls by 38% i.e. from the existing value of Rs.1.60 per minute to Rs.1 per minute;**

7.10.5 The summary of the ADC determination for the financial year 2007-08 is given in Table-I below:-

**Table-I**

**Summary of ADC determination for the Financial Year 2007-08**

<b>Stream</b>	<b>ADC Rate</b>	<b>Estimated ADC ( in Rs. Crores)</b>
<b>Revenue Share</b>	0.75% of AGR for all service providers	650
<b>International Incoming Calls</b>	Rs.1 per minute	1400
<b>Total</b>		2050

Out of the total estimated ADC collections of around Rs. 2050 Crores, around Rs. 2000 Crores is estimated ADC collection for BSNL.

7.10.6 The Authority expects that the reduction in ADC amount resulting from “The Telecommunication Interconnection Usage Charges (Eighth Amendment) Regulations, 2007, would be fully passed on by telecom service providers to the consumers and would pave the path for:

- (a) lower telecom tariffs;
- (b) greater usage of services as a result of affordable / lower tariffs;
- (c) sustained growth of telecom services;
- (d) greater flexibility to service providers for reducing the tariff and offering innovative packages to consumers;
- (e) reduction in arbitrage hence very less incentive for ILD grey market;
- (f) level playing field between outgoing international calls made through Internet Telephony and switched traffic minutes, hence, boost growth of traffic minutes through switched telephony which will result in growth of revenue of telecom service providers.

**ANNEXURE A TO THE EXPLANATORY MEMORANDUM TO THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007**

**ANNEXURE A**

**(See paragraph 6.1 of the Explanatory Memorandum to “The  
Telecommunication Interconnection Usage Charges (Eighth  
Amendment) Regulations, 2007”)**

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC IS DEPLETING REGIME IN THE EXPLANATORY MEMORANDUM  
TO “THE TELECOMMUNICATION INTERCONNECTION USAGE  
CHARGES REGULATION, 2003”(4 OF 2003) DATED THE 29<sup>th</sup>  
OCTOBER 2003:**

*“...Even the ADC regime that remains for BSNL is to be phased out in general and to be merged with USO regime in 3 to 5 years...” (See Para 101)*

*“.....The Authority is of the opinion that the prevailing ADC regime should be made to transition within 3 to 5 years towards an USO type of regime.” (See Para 98)*

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC IS DEPLETING REGIME IN THE EXPLANATORY MEMORANDUM  
TO “THE TELECOMMUNICATION INTERCONNECTION USAGE  
CHARGES (FOURTH AMENDMENT) REGULATION (1 OF 2005)”  
DATED THE 6<sup>th</sup> JANUARY 2005:**

*“.....In this regard, it is important to recall the Authority’s statement in its IUC Regulation of 29th October, 2003 that it will be gradually reducing the ADC, merging it with the USO regime in due time....(See Para 25).*

*“.....and has also decided that the ADC will be progressively decreased to be phased out in a few years time...” (See Para 52).*

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC IS DEPLETING REGIME IN THE EXPLANATORY MEMORANDUM  
TO “THE TELECOMMUNICATION INTERCONNECTION USAGE  
CHARGES (SIXTH AMENDMENT) REGULATION (1 OF 2006)” DATED  
THE 23<sup>rd</sup> FEBRUARY, 2006.**

*“.....However, the ADC is a depleting regime mainly to give time to incumbent, etc. for rebalancing of tariffs during a transition period and it will be phased out over time and will be merged with the USO Regime and any lines with below cost operation especially in rural areas with regulated tariffs having any justification for access deficit needs to be covered through USO.....” (See Para 23).*

*“....It is again reiterated here that right from October, 2003 Authority has been emphasising on the point that ADC regime is a depleting regime and should be replaced by or merged with USO regime from 2008 – 2009 onwards...” . ( See Para 24).*

*“....since this is a depleting regime, therefore, the earlier calculated value of ADC has to gradually come down so that it becomes zero in the year 2008-09...” (See Para 43).*

**ANNEXURE B TO THE EXPLANATORY MEMORANDUM TO THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007**

**ANNEXURE B**

**(See paragraph 6.2 of the Explanatory Memorandum to “The  
Telecommunication Interconnection Usage Charges (Eighth  
Amendment) Regulations, 2007”)**

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS INDICATING THAT ADC CANNOT BE CONTINUED IN PERPETUITY, IN THE EXPLANATORY MEMORANDUM TO “THE TELECOMMUNICATION INTERCONNECTION USAGE CHARGES REGULATION, 2003”(4 OF 2003) DATED THE 29<sup>th</sup> OCTOBER 2003:**

*“...Over time, within a few years, therefore, it may be possible to do away with the ADC regime, and the ADC regime could be merged with the USO regime. This would be similar to the situation in most other countries, where the ADC regime had been combined with the USO regime, rather than the ADC funding being provided through a separate ADC regime. (See Para 24).*

*“The Authority has also decided that it would obtain more detailed audited cost information to assess the relevant ADC for BSOs, and would also consider phasing it out after the next review. This phasing out may be earlier than the overall phasing out of the access deficit regime that the Authority will consider, merging the ADC regime into the USO regime after a few years.....” (See Para 57).*

*“.....Further, the ADC regime should ideally be merged with the USO regime over time, say in about 3 to 5 years.....” (See Para 89).*

*“.....The Authority is of the opinion that the prevailing ADC regime should be made to transition within 3 to 5 years towards an USO type of regime.” (See Para 98).*

*“...Even the ADC regime that remains for BSNL is to be phased out in general and to be merged with USO regime in 3 to 5 years...” (See Para 101).*

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS INDICATING THAT ADC CANNOT BE CONTINUED IN PERPETUITY, IN THE EXPLANATORY MEMORANDUM TO “THE TELECOMMUNICATION INTERCONNECTION USAGE CHARGES (FOURTH AMENDMENT) REGULATION (1 OF 2005)” DATED THE 6<sup>th</sup> JANUARY 2005:**

*“...the Authority has already stated that the ADC regime will be phased out over time and will be merged with the USO regime...” (See Para 28).*

*“....and has also decided that the ADC will be progressively decreased to be phased out in a few years time...” (See Para 52).*

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS INDICATING THAT ADC CANNOT BE CONTINUED IN PERPETUITY, IN THE EXPLANATORY MEMORANDUM TO “THE TELECOMMUNICATION INTERCONNECTION USAGE CHARGES (SIXTH AMENDMENT) REGULATION (1 OF 2006)” DATED THE 23<sup>rd</sup> FEBRUARY, 2006.**

*“...The ADC is given for a temporary period for rebalancing the tariff and it cannot continue in perpetuity if the rebalancing is not done or reversed rebalancing is resorted to....” ( See Para 24).*

*“The Authority has given sufficient time for tariff rebalancing and the ADC is mainly for the historical cost and not for the futuristic cost. The Authority is of the opinion that if same amount of the ADC will continue for the incumbent or any other operator tariff rebalancing will never take place and this will put undue burden on the subscribers because of the continuity of ADC Regime in perpetuity....”(See Para 26).*

**ANNEXURE C TO THE EXPLANATORY MEMORANDUM TO THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007**

**ANNEXURE C**

**(See paragraph 6.3 of the Explanatory Memorandum to “The  
Telecommunication Interconnection Usage Charges (Eighth  
Amendment) Regulations, 2007”)**

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS STATING THAT  
THERE IS NO NEED OF FRESH CALCULATIONS FOR THE  
ADMISSIBILITY OF ADC, IN THE EXPLANATORY MEMORANDUM TO  
“THE TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(SIXTH AMENDMENT) REGULATION (1 OF 2006)” DATED THE 23<sup>rd</sup>  
FEBRUARY, 2006.**

*“...Authority in its October, 2003 Regulation has done detailed calculations  
in consultation with BSNL for the total ADC amount based on historical  
costs and Authority does not consider it necessary to continue to do these  
calculations based on historical data again and again...” (See Para 26).*

*“...Since ADC was mainly on account of deficit in the wireline cost based  
rentals and the number of wireline subscribers is not changing. Therefore,  
the ADC amount estimated earlier by the Authority need not be calculated  
again but since this is a depleting regime, therefore, the earlier calculated  
value of ADC has to gradually come down so that it becomes zero in the  
year 2008-09...” (See Para 43).*

**ANNEXURE D TO THE EXPLANATORY MEMORANDUM TO THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007**

**ANNEXURE D**

**(See paragraph 6.4 of the Explanatory Memorandum to “The  
Telecommunication Interconnection Usage Charges (Eighth  
Amendment) Regulations, 2007”)**

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
PHASING OUT OF ADC BY 2008 – 09 AND FUTURE SUPPORT IF  
REQUIRED THROUGH USO FUND, IN THE EXPLANATORY  
MEMORANDUM TO “THE TELECOMMUNICATION INTERCONNECTION  
USAGE CHARGES REGULATION, 2003”(4 OF 2003) DATED THE 29<sup>th</sup>  
OCTOBER 2003:**

*“...Even the ADC regime that remains for BSNL is to be phased out in  
general and to be merged with USO regime in 3 to 5 years...”* (See Para  
101).

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
PHASING OUT OF ADC BY 2008 – 09 AND FUTURE SUPPORT IF  
REQUIRED THROUGH USO FUND, IN THE EXPLANATORY  
MEMORANDUM TO “THE TELECOMMUNICATION  
INTERCONNECTION USAGE CHARGES (FOURTH AMENDMENT)  
REGULATION (1 OF 2005)” DATED THE 6<sup>th</sup> JANUARY 2005:**

*“...the Authority has already stated that the ADC regime will be phased  
out over time and will be merged with the USO regime...”* (See Para 28).

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
PHASING OUT OF ADC BY 2008 – 09 AND FUTURE SUPPORT IF  
REQUIRED THROUGH USO FUND, IN THE EXPLANATORY  
MEMORANDUM TO “THE TELECOMMUNICATION INTERCONNECTION  
USAGE CHARGES (SIXTH AMENDMENT) REGULATION (1 OF 2006)”  
DATED THE 23<sup>rd</sup> FEBRUARY, 2006.**

*“---The Authority is of the opinion that by March 2008, i.e. next two years  
time frame any lines in rural segment having justification for funding  
access networks will be required to be considered through USO and ADC  
will be phased out...( See Para 23).*

*“...the earlier calculated value of ADC has to gradually come down so that  
it becomes zero in the year 2008-09...”* (See Para 43).

*“--- ii) ADC Regime would be reduced to zero in next 2 years---”* ( See Para  
67).

**ANNEXURE E TO THE EXPLANATORY MEMORANDUM TO THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(EIGHTH AMENDMENT) REGULATIONS, 2007**

**ANNEXURE E**

**(See paragraph 6.5 of the Explanatory Memorandum to “The  
Telecommunication Interconnection Usage Charges (Eighth  
Amendment) Regulations, 2007”)**

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC SHOULD BE REPLACED OR MERGED WITH USO REGIME, IN  
THE EXPLANATORY MEMORANDUM TO “THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
REGULATION, 2003”(4 OF 2003) DATED THE 29<sup>th</sup> OCTOBER 2003:**

*“--Over time, within a few years, therefore, it may be possible to do away  
with the ADC regime, and the ADC regime could be merged with the USO  
regime....”* (See Para 24).

*“---the Authority will consider, merging the ADC regime into the USO regime  
after a few years.----”* (See Para 57).

*“.....Further, the ADC regime should ideally be merged with the USO  
regime over time, say in about 3 to 5 years.....”* (See Para 89).

*“.....The Authority is of the opinion that the prevailing ADC regime should be  
made to transition within 3 to 5 years towards an USO type of regime.”*  
(See Para 98).

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC SHOULD BE REPLACED OR MERGED WITH USO REGIME, IN  
THE EXPLANATORY MEMORANDUM TO “THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES  
(FOURTH AMENDMENT) REGULATION (1 OF 2005)” DATED THE 6<sup>th</sup>  
JANUARY 2005:**

*“...the Authority has already stated that the ADC regime will be phased  
out over time and will be merged with the USO regime...”* (See Para 28).

*“The Authority further noted that changeover to Revenue Share Regime  
and its merger with USO is indeed the final solution for taking care of all  
anomalies and issues associated with ADC....”* (See Para 80).

**EXTRACTS OF CERTAIN RELEVANT PARAGRAPHS RELATING TO  
ADC SHOULD BE REPLACED OR MERGED WITH USO REGIME, IN  
THE EXPLANATORY MEMORANDUM TO “THE  
TELECOMMUNICATION INTERCONNECTION USAGE CHARGES**

**(SIXTH AMENDMENT) REGULATION (1 OF 2006)” DATED THE 23rd  
FEBRUARY, 2006.**

*“...The Authority is of the opinion that by March 2008, i.e. next two years time frame any lines in rural segment having justification for funding access networks will be required to be considered through USO and ADC will be phased out...( See Para 23).*