



COAI Response to Pre Consultation Paper on Review of Tariff for Domestic Leased Circuits

1. At the outset, we thank the Authority for giving us the opportunity to respond to the Pre Consultation Paper on “Review of Tariff for Domestic Leased Circuits”.
2. It is pertinent to note that COAI and the industry have been advocating for a policy of forbearance for a long time. This approach has worked effectively in the mobile telecom services which have led to the tremendous growth of the voice and data services. There is competition in every segment and India today has a robust digital connectivity ecosystem covering all corners of the country.
3. The Domestic Leased Circuit (DLC) market in India operates on a competitive framework where tariffs are determined by multiple factors including Bandwidth requirement, Distance, RoW for last mile and Service Level Agreements (SLAs). The DLC market in India comprises multiple active service providers, including large-scale incumbents as well as circle-based and specialized players.
4. We believe that the Authority needs to intervene via regulation only in the following cases:
 - i. Avoid Market failure
 - ii. Safeguard to create effective competition
 - iii. Prevent anti-competitive practices
 - iv. Ensure that consumer interests are protected.
5. We believe that the Authority should only intervene through a Regulation in case there is evidence of “Market failure” or in case of inadequate competition in the marketplace resulting in high tariffs. The Domestic Leased Circuit (DLC) market in India operates efficiently under competitive market dynamics; also, the tariffs are already substantially lower than the tariff ceilings. Any further Regulatory intervention in this segment is unnecessary and counterproductive, given the absence of market failures, robust competition, and demonstrated consumer protection through market forces.
6. Besides adequate growth and demand from the buyer side, the seller side (i.e. service providers) is also witnessing adequate competition. Unlike other segments where buyers may be retail consumers, in DLC segment, the buyers are mostly enterprises and possess a high degree of bargaining power in this market due to availability of number of service providers. The buyers generally resort to tender process citing their requirement and SLAs, and select a service provider offering them lowest pricing.
7. The above-stated factors lead to balancing of DLC pricing with given SLAs and input factors, thereby ensuring a win-win proposition for all the players.
8. At present, Ceiling Tariffs for Domestic Leased Circuits for E1 (2 Mbps), DS3 (45 Mbps), STM-1 (155 Mbps) and STM-4 (622Mbps) capacities has been prescribed by the Authority, while keeping the tariffs for domestic leased circuits of other speeds/capacities under forbearance. If any further regulatory intervention is made by the Authority in the existing competitive market, the same may stifle innovation and investment in this sector. Thus, we reiterate that given that the market and



competition is working effectively, market intervention at present is not required by the Authority.

9. Another reason regulatory intervention is unwarranted is the declining relevance of India's Domestic Leased Circuit (DLC) market, driven by emerging technologies and ubiquitous broadband penetration. As stated in point 5 and 6 above, at present there is a diverse mix of pan-India telecom service providers, and regional operators, offer DLCs and a range of next-generation connectivity services. This has fostered intense price competition, innovation in service delivery, and the development of customer-oriented contractual frameworks—substantially diminishing the need for regulatory tariff oversight. Simultaneously, enterprises now have access to a wide array of advanced connectivity solutions such as Software-Defined WAN (SD-WAN), Internet Leased Lines (ILLs), carrier-neutral data center links, direct cloud interconnects, IP-VPNs, and high-quality 4G/5G business-grade wireless networks, including private networks. These technologies have enabled the creation of hybrid, scalable, and cost-efficient network architectures, significantly reducing enterprise reliance on traditional DLC. Enterprises increasingly favor scalable, cost-effective alternatives over dedicated circuits, making prescriptive rules redundant and risking distortion of market-driven obsolescence.
10. Instead of focusing on tariffs, the Authority should also look at the cost side. In this regard we wish to submit that the RoW rules laid down by the Government have not been fully implemented across all states/UTs. So far, only 26 States/UTs have implemented the RoW Rules. Securing Right of Way (RoW) permissions is crucial for deploying high-speed broadband, DLC and other telecom networks across the country; yet obtaining these permissions remains costly and challenging. Presently, States, Union Territories (UTs), apply their own restrictions and additional fees. This escalates costs, particularly when municipal bodies impose high restoration charges. Thus, while tariffs are affordable, operational cost of providing the services remains unchanged for the service providers.

Conclusion:

1. **We submit that the Indian DLC market does not require any regulatory intervention.**
2. **Given the prevailing competitive market conditions, absence of any evidence of market failure, and the wide availability of advanced technological alternatives, we believe that there is no justification for initiating a consultation on this issue at this time.**

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