



17th Jan 2013

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Idea Cellular's response to TRAI Pre-Consultation Paper on "Review of Tariff for National Roaming"

Sir,

At the outset, we would like to submit that Idea Cellular has always advocated that tariffs should be kept under forbearance and not be driven or dictated by Regulatory and Policy interventions. Further, as is done in the case of interconnect settlements for voice, review of tariffs related to roaming too should be "Cost based" and should include appropriate returns on the capital employed / incurred.

Further, in addition to the COAI comments, we would like to submit the following:

- ✓ Competition has ensured that roaming Tariffs have for a long time been operating at a level that is below the tariff ceilings prescribed by the TRAI, this inspite of the fact that inflation has impacted every sector including telecom.
- ✓ In addition, the cost of Regulation / Compliance has progressively moved up over the last few years, and still continues to rise.
- ✓ Hyper- Competition and multi-SIM phenomenon have resulted in high rates of churn and shifting of customer loyalties.
- ✓ The combined effect of these and various other factors means that margins have been continuously shrinking in an era of rising input costs and shifting loyalties.

In view of the above, we would like the Authority to take note that the Indian telecom sector is reeling under huge debt and progressively declining returns even while it seems to believe that "the current incremental cost for roaming is likely to be lower than the incremental cost for roaming prevailing in the year 2006-07", as mentioned in its Pre-Consultation Document.

Notwithstanding the above, our responses to the various queries raised in the Consultation are as follows:

Issue Wise Response:

Q1: Should the present cost based approach for determining tariffs for national roaming continue?

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Q2: In case your response to issue (i) is in the affirmative, what cost components should be included in the determination of such charges? You may also comment on the information sought by TRAI from the service providers in the proforma placed at Annexure.

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Q3: In case your response to issue (i) is in the negative, what should be the alternative approach for determining tariff for national roaming? Please support your view with a detailed methodology.

Idea Cellular's Response:

- a) It is submitted that tariff forbearance is the preferred way forward even in the context of roaming tariffs in order to align the regulation with that available for other tariff categories.
- b) The present arrangement of "tariff forbearance" for other categories of tariffs is efficient as acknowledged even by the Authority in the past, and the same principle may also be applied in the case of roaming tariffs.
- c) However, in case the TRAI still wishes to carry out a review of roaming tariffs, it should follow a cost-based approach that considers all items including allied items with appropriate returns on capital employed.
- d) It may further be noted by the Authority that tariffs being already low, any attempt to regulate the roaming tariffs for the benefit of a small fraction of the overall users is likely to compel the operators to revise their general tariffs that will invariably affect the masses.
- e) Finally, we would like the Authority to be aware that any mandated roaming access with access prices which are set too low is likely to undermine the incentive to invest.

Q4: In your opinion, should the burden of the cost for the incoming call be removed from the roaming subscriber? If yes, how should this cost be recovered? Would removal of the burden of the cost for the incoming call while roaming lead to an increase in overall call traffic across the country?

Idea Cellular's Response:

- a) At present in-roamers pay for the cost of incoming calls while roaming because they get the benefit of anytime, anywhere connectivity on the same number. The charges for an incoming call while roaming are inclusive of the cost of carriage of the call (paid to NLD operator) and the termination charge (paid to visiting network operator). Any attempt to shift the burden of the cost of incoming calls elsewhere will introduce enduring unwanted complications in the tariffing regime.
- b) At the same time, such a proposed tariffing regime (that offers free incoming while roaming) will be discriminatory and inequitable in the sense that while the price of a STD call to any location X will be inclusive of the carriage charge, the same subscriber will pay nothing for an incoming call if he were to roam in the same location X, even though both calls involve the same component and quantum of carriage cost.
- c) Further, operators will have to look at ways to re-balance prices of other categories of calls and a small group of subscribers who use roaming facility frequently will benefit to the disadvantage of the larger pool of subscribers who do not use roaming frequently or at all. In our opinion this would go against the interest of the "common man" and TRAI's objective of "Re-balancing tariffs so that the objectives of affordability and operator viability are met in a consistent manner" (*Refer TRAI Annual Report 2009-10*).

- d) It is hence recommended that the present arrangement of making the in-roamer pay for the benefit of receiving incoming calls while roaming be allowed to continue.

Q5: In your opinion, if the difference between the tariff while roaming and the tariff in the home network is done away with, how would such an arrangement operate within the framework of the present licensing regime? What are the likely issues that may arise upon its implementation?

Idea Cellular's Response:

Roaming is defined as "the ability for a cellular customer to automatically make and receive voice calls, send and receive data, or access other services when travelling outside the geographical coverage area of the home network, by means of using a visited network". The Authority will appreciate that facilitating roaming constitutes multiple phases of origination, carriage and termination in 2 different networks which means more work compared to a normal call. The complexity arises due to this extra work done in a roaming call as the call has to follow one path in the home network, and then take another course in the visited network. Naturally, there is a need to differentiate in the tariff charged while roaming and in the home network on account of the multiple costs of origination, carriage / termination and incremental cost of roaming. We would like to highlight the following issues which would arise in case the difference between the tariff while roaming and the tariff in the home network is done away with:

- i) **Potential increase in Tariffs:** Mobile operators get around 9% of their revenues from roaming charges and with the introduction of free roaming these revenue streams will be hit. There are already serious concerns around the financial health of the industry. Operators will be left with no choice but to re-balance / increase tariffs, which will impact all subscribers, especially the subscribers in the rural area.
- ii) **Implication on the NLDO's:** As per the TRAI interconnect regulations, the cost of this carriage is regulated through a ceiling of 65 paise. There are several National Long Distance providers in the Indian market that are directly involved in carrying roaming calls and who have made substantial investments in telecom infrastructure for the same. If the difference in the tariff between roaming and home network is done away with, it will have a direct impact on the business of all such NLDOs.
- iii) **Pricing to be unreflective of real cost of circle operations:** It is common fact that Indian telecom market being divided into 22 service areas under categories Metro, A, B and C (due to its legacy telecom licensing system), as also being geographically and demographically diverse, the cost of setting up and running operations in addition to the expenditure incurred on acquiring spectrum is different across different service areas. However, in a roaming scenario where the difference between the tariff while roaming and the tariff in the home service area is done away with, the current balance that account for such real differences in cost of operations across circles will be completely lost, as the network that gets used for access will be other than the home circle, even when the tariff is that of the home circle. There is thus a strong likelihood that the roaming access prices which are linked to the home circle tariffs will massively understate the cost of operations in roaming service areas with higher spectrum /network costs and probably overstate costs in roaming service areas with lower spectrum / network costs.

Q6: In your opinion, is there a need to prescribe a tariff for video calls while roaming? If your answer is in the affirmative, what methodology should be adopted for the calculation of such tariff?

In case cost based tariffs are to be prescribed, the service providers may kindly provide the cost data and costing methodology to be used.

Idea Cellular's Response:

Video Calls, that are still at a stage of nascence in India as of now, form a miniscule component of the overall quantum of calls, and therefore need to be viewed by the TRAI as a premium nascent service availed of by a select set of high-end customers. Further, the TRAI should take cognizance of the fact that the 3G spectrum that facilitates such calls has been acquired at a steep price, and hence any tariff prescriptions at this stage would undermine the huge investments made to actualize the service.

We would thus recommend TRAI to keep tariffs for video calling out of the purview of the current proposed review exercise.

Q7: In your opinion, should TRAI also prescribe a tariff for SMS while roaming? If your response is in the affirmative, what method of calculation for such tariff should be adopted? In case cost based tariffs are to be prescribed, the service providers may kindly provide the cost data and costing methodology to be adopted.

Idea Cellular's Response:

- a) For all roaming calls and messages handled by the visiting network, exchange of the signalling information with the home network is involved in the case of both prepaid and post paid subscribers. Since the visiting network is not realising any fixed charges like rental etc. from the temporary subscribers roaming in its network, the usage charges have necessarily to be higher as compared to the charges for the SMS originated in the home network.
- b) We therefore, firmly believe that the Authority should not prescribe any specific charges or ceiling charges for SMS originated/received by a customer while roaming in another operator's network.

Q8: In your opinion, would it be appropriate to allow special tariff vouchers for roaming subscribers?

Idea Cellular's Response:

- a) STVs allow customers the flexibility and choice to avail discounted tariffs as per their convenience.
- b) We have in the past also advocated that TRAI allow operators the flexibility of offering roaming STVs to customers in order to effectively manage the continuously evolving consumer needs, and would like to reiterate the same here.
- c) At the same time we would like to emphasize that combo-vouchers offering roaming benefits be also permitted for added customer convenience.

Hence, we strongly recommend that TRAI permit offering STVs to roaming subscribers.

Q9: Is there any other relevant issue related to 'tariff for national roaming' which the Authority should keep in mind while carrying out the proposed comprehensive review of the framework for tariff of national roaming services?

Idea Cellular's Response:

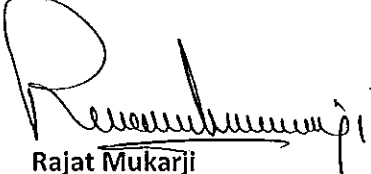
We strongly recommend that the TRAI review encompass licensing, technical and routing aspects in addition to financial / cost impact on the operators. In addition, TRAI may consider undertaking a study of practices followed internationally with respect to roaming to gain a better perspective.

We are confident that the Authority will give due-consideration to our afore-mentioned comments before formalizing any guidelines on the issue.

Thanking You

Yours faithfully,

For IDEA Cellular Limited.


Rajat Mukarji
Chief Corporate Affairs Officer