MTS response to "TRAI Consultation Paper on Review of Tariff for National Roaming"

At the outset, we welcome the opportunity given to comment on the issues raised in consultation paper on review of tariff for national roaming.

Preamble:

The roaming service is mostly used by the elite customers including the company executives comprising of <10% of total customer base, and there is no need for a regulatory protection by bringing the roaming tariffs down for this higher strata of the society. The proposed move of bringing the roaming tariffs down may adversely affect the overall customer base by cross subsidizing and resulting in increase in tariff for lower strata of the society.

Further, having regard to the enormous inequality in the market share and the presence of the new operators with an obvious significantly lower footprint has unarguably left the balance of power to negotiate the commercials tilted, at all times and irrevocably, in favour of the incumbent operators thereby disturbing the level playing field. Therefore, to bring in a sustained development and to uphold the TRAI objective of ensuring level playing field, the operators should be mandated to have inter-operator roaming agreements with each other and the wholesale rate i.e. the inter-operator roaming charges should also be regulated before reviewing the retail tariffs of national roaming.

Our issue wise submission is as herein below:

Q1: Is competition in national roaming service in India robust enough for leaving the tariff for national roaming service under forbearance? Please support your viewpoint with reasons.

- We wish to submit that overall Indian tariff structures are amongst the lowest in the world. In our view, tariffs need to be looked at holistically rather than individual elements such as roaming, which may vary depending upon cost structures and stage of market evolution. We would therefore suggest forbearance in national roaming, especially since it impacts the affluent section of customers.

- Furthermore, all national players and regional players offer roaming and we believe that 6-7 players in most circles have resulted in sufficient competition.

- In case, it is decided to regulate and cap roaming tariffs it iss important to understand the market position of regional players and full funding of costs through adjustments in license fees.

- Cost structure of various operators is drastically different given scale and presence of the operators. The integrated operators having pan-India presence and ILD\NLD license are at significant advantage compared to the ones having regional footprint.

- Also, the authority will need to address the concern of regional players in the service areas where they don't have their own network and need to depend on other operators to provide roaming facilities, especially in a scenario of much lower tariffs. There is thus a need to regulate inter operator roaming rates and agreements either before or in tandem with tariff regulation so that regional players are not put to a disadvantage. It should also be made mandatory to provide roaming on request.

Q2: Would it be appropriate to implement the Home Price Rule (HPR) in national roaming service? What is the likely impact of such a regime on fair competition in telecom sector? Please support your viewpoint with reasons.

- Home Price Rule (HPR) could have been appropriate provided all the operators had pan-India presence. Recently, foot print has been reduced for several operators.

- With HPR, the revenue side will not change (for roaming) but it will have significant impact on cost side, especially when regional players will have to depend on other operators having pan-India presence for roaming services on their network.

- Therefore, in our view it will impact negatively to smaller\regional players.

- As pointed out by TRAI, HPR also does not reflect cost structures related to roaming such as interconnection, carriage etc.

Q3: Would it be appropriate to implement Home Price Rule (HPR) in national roaming service with the provision of recovery of carriage charge on account of incoming call from the calling party? Please support your viewpoint with reasons.

- The concept of charging to calling party for incoming calls while on roaming seems most obvious one but there are several challenges to it:

  - The caller does not have a control on location of called party and may not have information available on location of called party thus there would be reduced transparency in billing.
  - The operators will have to invest heavily on educating their customers about these changes and implications they have on the tariff etc.
  - Many times, called party and calling party will be on networks of different operators and hence there would be a requirement of implementation systems to settle these charges across circles.

- Therefore, in our view, it is not appropriate to implement HPR with an option to recover charges from calling party for incoming calls on roaming

Q4: Would it be appropriate to rationalize the tariff for national roaming service on the basis of present costs? Please support your view with reasons.

- SSTL believes that the current cost based approach has served the Indian customer well and should continue to be used going forward.

- If roaming tariffs are brought down for either incoming or outgoing calls, the operators would be forced to recover these costs through other services. The consequent impact would be to distort traffic, wherein roaming traffic would go up, but traffic from other services where tariffs are increased will be negatively impacted by price elasticity.

- Any charges remaining unrecovered from the end user must be compensated to operators by government by reducing the license fee. Thus, the proposed reduction in tariffs should be fully funded before implementation.

- However, as mentioned in the table below, there is scope for reduction in the ceiling price while on roaming set by TRAI in 2007 since cost structure has changed drastically over time.

- Focus should be more on marginal cost of providing roaming services than average cost while determining the price ceilings.

- Also, inter operator rates and roaming agreements need to be regulated in tandem so that new players are not put to a disadvantage compared to incumbents. It should also be made mandatory to provide roaming arrangement / interconnect on request.

	Previous Scenario			**Current Scenario**		
Cost components	**Incoming (Rs./Minute)**	**Outgoing local (Rs./Minute)**	**Outgoing STD (Rs./Minute)**	**Incoming (Rs./Minute)**	**Outgoing local (Rs./Minute)**	**Outgoing STD (Rs./Minute)**
Origination charge	-	0.3	0.3	-	0.3	0.3
Carriage	0.65	-	0.65	0.3	-	0.3
Termination	0.30	0.30	0.30	0.20	0.20	0.20
ADC	0.05	0.05	0.05	-	-	-
Incremental cost for roaming	0.75	0.75	0.75	0.75	0.75	0.75
Total	**1.75**	**1.4**	**2.05**	**1.25**	**1.25**	**1.55**
Ceiling Fixed at	1.75	1.4	2.4			

Q5: Would it be appropriate to revise ceiling tariff for national roaming service in such a manner that incoming calls while roaming are made free of charge while the cost of incoming calls is recovered through outgoing roaming calls?

- As TRAI has pointed out, there is need to develop a mechanism of recovery of carriage fees, termination and/or origination charges etc. If roaming tariffs are brought down for incoming calls, the operators would be forced to recover these costs through other services such as outgoing during roaming.

- However, we believe this would distort the market, as on the traffic side, there is possibility that outgoing traffic will go down if incoming charges are removed (through missed calls) causing further losses to the operators. This would result in a need to further increase outgoing roaming tariffs in a cycle.

- Therefore, if the tariff for incoming call is reduced from the roaming subscriber then it may be appropriate for the government to compensate operators for recovery of these charges by reducing the license fee.

Q6: In case your response to Q5 is in the affirmative, which of the following approaches would be more appropriate?

(i) With Immediate Effect: viz. by fixing zero tariff for incoming calls and ceilings for outgoing calls while on national roaming allowing recovery Telecom Regulatory Authority of India of additional cost on account of free incoming calls, from the outgoing calls while on national roaming

(ii) Through a Glide Path: viz. approaching zero tariff for incoming calls in a phased manner (over a period of say three years) and fixing year-wise tariff ceilings for outgoing calls while on national roaming allowing recovery of additional costs on account of progressively cheaper incoming calls, from the outgoing calls while on national roaming.

Not Applicable

Q7: Do you agree that there is no need to prescribe a tariff for video calls while on national roaming?

- The video calls are in a very nascent stage at this point of time therefore it should be left to market forces to determine tariff for video calls while roaming.

- As TRAI would be aware, currently only a small percentage of the total customer base has handsets capable of video calls. On an average these handsets cost more than Rs 10,000 and we do not believe these high-income customers need intervention by the regulator to protect their interest.

- Given that utilization of 3G networks in very low at pan India level owing to limited uptake of the services, the market forces would ensure that these services are priced optimally to drive traffic and usage.

Q8: In case your response to Q7 is in the negative, please support your viewpoint with a detailed methodology to determine the tariff for video calls.

Not Applicable

Q9: In case the tariff for national roaming service is set, would it be appropriate to prescribe that the tariff for an outgoing SMS while national roaming should not be more than that for an outgoing SMS from home service area?

- There is a need to have a ceiling on outgoing tariffs for SMSs while roaming. Current rates offered at around, Rs 1.5/SMS are 50% higher than being on a local network.

- Focus should be on marginal cost of providing short message services, which is negligible for most of the operators since all the required systems are already in place.

- Our view on roaming charges for SMS services is thus in line with voice and roaming charges can be brought down in line with marginal costs. In case there are some charges, which are not recovered from end users, then government needs to compensate the same to operators by reducing the license fee.

- The authority has already initiated the exercise for determining the SMS termination charge wherein we have suggested that the SMS termination charge should be under Bill and Keep regime. The tariff for SMS while roaming is dependent on the outcome of the authority's guideline on the issue of SMS termination charge.

Q10: In case your response to Q9 is in the negative, please support your viewpoint with reasons. In case you favour prescribing separate ceiling tariff for outgoing SMS while on national roaming, please support your viewpoint with a detailed costing methodology.

Not Applicable

Q11: Should Special Tariff Vouchers (STVs) with roaming benefits be allowed? Please support your viewpoint with reasons.

We believe that if roaming charges are being regulated and reduced significantly, then STVs offering special tariff plans should not be permitted but current situation continues, then the permission for offering Roaming STV's should be given to the operators.

Q12: In case your response to Q11 is in the affirmative, what regulatory restrictions should be imposed on such STVs?

Not Applicable

Q13: Is there any other relevant issue which should be considered in the present exercise of review of the tariff for national roaming service?

The customers of new players with limited footprint would need to roam on the networks of other players, which would require a payout of origination and\or termination charge along with carriage fees without a corresponding mechanism to recover the same from the customer directly. The impact of doing away with roaming tariffs could have a significant impact on the cost structure of new players, whose shareholders are already questioning the financial viability of operating in the low tariff, high regulatory cost operating environment.