



5th Apr 2013

Shri Manish Sinha,
Advisor (F&EA)
The Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Old Minto Road,
New Delhi 110002

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

Sir,

At the outset, we would like to submit that Idea Cellular has always advocated and supported a cost based tariff regime.

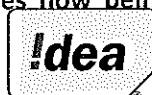
Further, we would like to submit that the Regulatory experience over the last few years indicates that competitive intensity itself results in the manifestation of the best and most competitive tariffs for customers. Thus the pricing of roaming tariffs should be guided by the "principle of forbearance" and not be driven or dictated by rhetorical statements.

We would also like to submit that the objective of "One Nation – Free Roaming" as envisaged in the NTP-12 is contingent upon implementation of various other regulatory and policy interventions and should therefore not be considered in isolation. Further, it is our belief that "benefit of customers" and "sustainable health of industry" should be the only 2 key drivers for any Regulatory and Policy intervention.

In addition to the above, we 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.
- ✓ Cost of spectrum has gone up many times compared to what it was a decade back. It is now a significant chunk of the operating costs.
- ✓ 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.

While the need to address these specific issues is very real and very urgent, the Authority needs to appreciate that operators have made huge investments over the last few years on setting up roaming arrangements based on the 22 circle licensing regime. This required configuration of networks and other critical investments with the same mindset – circle wise switches, interconnection, roll-out strategies for different circles, roaming tie-ups, etc. Further, all such investments were made on the basis of legitimate expectations of continuity of services on similar terms. However, the changes now being discussed through this Consultation are of an



unprecedented nature and those that threaten to shake the very basis of the manner in which roaming gets treated on the networks. There are thus clear cost implications in implementing such a change, a detailed discussion on which needs to be undertaken with all the stakeholders, and which the current consultation document seems to have not accounted for suitably. In that context, it is also pertinent to point out that the Indian telecom sector is already reeling under huge debt and progressively declining returns even while the TRAI 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 Consultation Document.

As mentioned in the Consultation Document, the GSM Association defines Roaming 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". Against that background, 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.

In that context, it would be pertinent for us to highlight the following issues that are likely to 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 proposed free roaming these revenue streams will be hit. There are already serious concerns around the financial health of the industry. Operators will be compelled to have to look at ways to re-balance / increase tariffs, which will impact all subscribers, especially the subscribers in the rural area. Naturally the Authority would not like to impact all customers only on account of providing benefit of very few, who actually use roaming.
- 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.

In light of our above-mentioned submissions, we request that the TRAI allow "Tariff Forbearance" in the case of roaming tariffs too.

Further, without prejudice to the above, any review of roaming tariffs, ought to be based on "Costs" and include appropriate returns on the capital employed / incurred as is done in the case of interconnect settlements for voice. Further, all the issues highlighted by the industry through the COAI Response, the views of which Idea Cellular also endorses, should also be adequately addressed..

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

Issue Wise Response:

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.

Idea Cellular's Response:

- 1) Idea Cellular believes that the current competitive landscape in the country allows for adequate competition in the Indian telecom market through the presence of 6 to 8 service providers in each service area and each of them offering a variety of tariff options for the customer. Further, the introduction of MNP a couple of years back has also intensified the competition by providing flexibility to the customer to retain the original number while migrating to the other service providers.
- 2) In addition, the roaming tariffs are available in multiple variants i.e. per second / per minute and at multiple price points hence the customer is suitably empowered to select the right tariff structure as per his / her requirements and affordability.
- 3) It is further submitted that the present arrangement of "tariff forbearance" for other categories of tariffs is efficient as also acknowledged by the Authority in the past, and the same principle can be successfully employed in the case of roaming tariffs. Once implemented, it will also serve to align the regulation of roaming tariffs with that available for various other tariff categories.
- 4) 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.
- 5) Finally, we would like the Authority to be conscious that any mandated roaming access with access prices which are set too low is likely to undermine the incentive to invest in telecom infrastructure that is indispensable for providing reliable services to the telecom consumers. Further, any adverse impact on the health of operators directly strikes at their ability to roll out in rural terrains implying therefore that the wait to get connected may end up getting a little longer for those unconnected.

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.

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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.

Idea Cellular's Response:

1) We believe that it might not be appropriate to implement the HPR concept (*the service provider shall levy the same tariffs for national roaming calls as that applicable in the home service area*) in National Roaming service for the following reasons:

a) **Flight of SIMs:** It is likely to lead to massive movement of SIMs from one service area to another as the consumers will not get charged incrementally for roaming. A large percentage of consumers are likely to buy their mobile subscription from a service area of their choice basis the best available plan / tariff structure and relocate to another part of the country carrying the same subscription.

For example: A Tamil Nadu resident can purchase a subscription from Delhi Service Area with the best viable plan (as per his requirement) and move back to Tamil Nadu as he will not incur roaming charges. By using the Delhi subscription he will continue to enjoy the benefits of the chosen plan despite not residing in Delhi.

b) **Potential Increase in Tariffs:** HPR will increase the cost burden of telecom service providers as the carriage cost incurred for routing the call to the respective destination service area will need to be absorbed / recovered. Such a scenario might warrant re-balancing of tariffs. here are **already serious concerns around the financial health of the industry. Operators will be compelled to have to look at ways to re-balance / increase tariffs**, which will impact all subscribers, especially the subscribers in the rural area. This will adversely affect 90% of the subscribers, the common man and the poor, who can ill afford the increase for no fault of theirs and will benefit only 10% of the class of subscribers who are either affluent or can really afford. This would tantamount to reverse cross subsidization for the people who can afford, at the cost of the common/poor man who can ill afford , which is a strange economic phenomenon never heard of".

c) **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.

2) In the Consultation Document, TRAI has envisaged a scenario to recover the loss of carriage charge from the calling party, which does not seem to be rational for the following reasons:

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).
- b) On the other hand, if any consumer calls a number that is roaming, he/she is liable to only pay the outgoing tariff as per the plan opted. Thus he / she gets charged only for originating the call.
 - c) Any attempt to shift the burden of a portion of the cost of incoming roaming calls on to the calling party will introduce enduring unwanted complications in the tariffing regime.
 - d) Further, it sounds highly unfair to expect the calling party to pay for the extra cost incurred because the called number is roaming – something that is beyond his control or influence.
 - e) At the same time, such a proposed tariffing regime (that offers free incoming while roaming in keeping with HPR) 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
 - f) Our country has literacy and technology acceptance limitation issues and the IVR solution proposed in the Consultation Document is likely to be ineffective for millions of people. Consumers would not be comfortable in using a IVR of multiple calls (in case their called number is often outside the home service area).
 - g) It would eventually lead to consumer's either abandoning calls on realizing that the called number is on roaming and they will have to pay for extra cost / charge for the call or they would complain of incorrect deductions incase if the call gets matured without their concurrence. This will result in a drop in MoUs from the Home service area and while roaming as well.
 - h) In summary , such an arrangement tantamounts to shifting the burden of the service from a user onto a non-user of the service..

3. Technical issues in applying HPR

- a. The introduction of HPR and supporting technical requirements like having a Message playing at the Called Operator's end to calling Operator while on a call and providing Interactive Announcement there on would entail the following issues:
 - ✓ Since ISUP messages between two Exchanges are standard and governed under ITUT / ETSI standards, If these changes are to be incorporated, there would be a requirement for modifications. Hence a separate Indian variant specific to Indian requirements will need to be developed. Since the process for the same would required Vendor consultations with the ITUT bodies followed by testing, there would be additional commercials involved which will be an additional burden for all operators.
 - ✓ Due to these modifications, exiting capacities would also get impacted. For example, there is likely to be an increase in Call Set up and process time. The additional processing load would also impact the Core elements and affect QoS.
 - ✓ Any changes in ITUT specifications will not be implementable across Indian variant immediately.
 - ✓ In case the ITUT does not develop this as a standard specification, then every vendor would need to develop it as patch or fix which would be proprietary and would lead to interoperability issues between different vendor nodes.
 - ✓ All the above points will be applicable for providing Interactive announcements, which are presently not in the call flow.
 - ✓ This would also add additional commercial burdens on Operators for IVR deployment.
- b. Almost 95% to 98 % subscribers in India belong to the prepaid category. Prepaid Billing systems charge the calling party on the basis of B- number / called party. As prepaid billing systems do not get location of

B number/ called Party, it will not be able to charge differentially on the basis of whether B- number/called party is in home network or roaming outside home network . Hence it is technically not feasible to implement for prepaid subscribers

- c. In the case of Post paid subscribers also, there are likely to be challenges on the billing front:

For example: Subscriber X from operator A is calling subscriber Y of operator B who is roaming in Operator C. In this case operator A would route the call to operator B and operator B would route the call to operator C. Here Operator A would not have any information in his CDR for charging extra to Subscriber X. Inter operator settlement would be required between operator B and operator A, so that operator A can charge additional cost to subscriber X which needs to be transferred/passed on to operator B on wholesale basis

- d. Post the MNP launch, entire prepaid and postpaid charging logic is based on LRN+B number which in the wanted scenario will need to be changed to B number/ called party location (MSRN) which is not feasible and conflicting with current MNP implementation

- e. Under HPR, it is proposed that the additional cost shall be recovered from the calling party when the called party is roaming but there is no reference with respect to the various calling parties, as below,

- i. **Fixed landline callers:** Whether fixed landline operator will also charge additional to their subscribers when calling to mobile out roamers and have inter operator settlement with mobile operators. No clarity provided in consultation paper

- ii. **Coin box PCO:** Coin box PCO users pay fixed amount irrespective of B number/ called party location

- iii. **National inroamers:** For example- Subscriber X from operator A roaming at Operator Z, is calling subscriber Y of operator B who is roaming in Operator C. In this case operator Z would route the call to operator B and operator B would route the call to operator C. Here Operator Z would not charge Subscriber X, as he is from different Operator. Here inter operator settlement needs to be done at two points i.e. 1) between operator A and operator Z through TAP exchange and 2) between operator B and operator A, so that operator A can charge additional cost to subscriber X which needs to be transferred /passed on to operator B on wholesale basis. Please note that operator A has to be dependent on records being shared by two sources operator Z and operator B which needs to be correlated and reconciled which is not possible

- iv. **International inroamers:** In this specific case, the costs would remain unsettled

- f. There are also likely to be issues regarding provisioning of announcements and various customer complaints on below-mentioned points.

- ✓ Assuming that customer has heard the announcements and not disconnected, there might be complaints that he has been charged
- ✓ Announcement played either in English, Hindi or regional language may not be understood by originating subscriber for e.g. In roamer to that Circle
- ✓ Our understanding of customer behavior indicates that customers do not generally actively listen to the announcements hence there are likely to be issues of charging complaints
- ✓ When customer complaints about charging , there is no way to reconciliation

- ✓ Due to technical issues , if announcement does not get played , there will be complaints from subscriber for charging
- ✓ Announcement cannot be played for Video calls

Finally, the implementation of HPR is likely to compel operators to 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).

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.

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.

Idea Cellular's Response:

- 1) As already submitted, the present arrangement of "tariff forbearance" for other categories of tariffs is efficient as also acknowledged by the Authority in the past, and the same principle can be successfully employed in the case of roaming tariffs. Once implemented, it will also serve to align the regulation of roaming tariffs with that available for various other tariff categories.
- 2) In any case, the prevailing tariffs for national roaming are already below the ceiling set in the 44th Amendment of TTO.
- 3) Further, telecom service providers are offering multiple products / tariffs to consumers that make the service completely competitive and enable the consumer to opt for tariff plan as per his requirements.
- 4) Hence we feel that there appears prima-facie to be no case for rationalization of the tariff for National Roaming service on the basis of present cost and it is strongly recommended that the TRAI look at the option of bringing the Roaming Tariifs under the fold of forbearance.

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 while also keeping in consideration the fact that the Indian telecom sector is reeling under huge debt and progressively declining returns.

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?

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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 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

Idea Cellular's Response:

Idea Cellular believes that it would not 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 due to the following reasons:

- 1) The roaming subscribers have the option to choose the calls that they might want to answer, since the calling party number is clearly visible to the roaming subscriber. There is thus complete flexibility with the Called Party to answer only those calls, for which it wants to pay. It is therefore logical that the cost of incoming calls should continue to be borne by the Roaming Party.
- 2) Further, a look at the roaming MOUs shows that currently their distribution is skewed in favor of outgoing calls made while roaming. By making incoming calls free while roaming and increasing the charges for outgoing calls, the overall cost burden on a roaming consumer is likely to shoot up as it may be difficult for a roaming consumer to reduce his share of outgoing calls significantly – outgoing calls primarily owe their origin to necessity vis-à-vis incoming where the consumer has the discretion to accept or abandon.
- 3) However, having said that, these changes might also at some point in time usher a change in the call mix with incoming calls wresting a larger share of the total MOUs owing to higher tariff for the outgoing calls. If and whenever this happens, it is likely to stand in the way of effecting a complete recovery of the revenue loss incurred by making the incoming free as an accurate and realistic projection of the incoming outgoing mix would be too difficult to make at this present point in time even if it is accounted for.

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

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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.

Idea Cellular's Response:

- a) TRAI itself in its consultation paper have highlighted following point with regards to the video calls:
 - (i) Video calls are in an early stage of growth.
 - (ii) Video calls are premium services in the sense that these are not consumed by the masses.
 - (iii) Such calls are being offered at reasonable tariff in the marketplace.

Thus the TRAI itself has acknowledged and agreed with our held view that Video Calls are still at a stage of nascence in India as of now, form a miniscule component of the overall quantum of calls, are availed of by a select set of high-end customers and are reasonably priced inspite of being a premium nascent service.

- b) However, we would like the TRAI to also 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.
- c) We would thus recommend TRAI to keep tariffs for video calling out of the purview of the current proposed review exercise and keep them under "forbearance" ..

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?

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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.

Idea Cellular's Response:

- 1) As mentioned in article G 2.29 and subsequently in article G 2.31 of the Consultation Document, the tariff for outgoing SMS while on roaming and outgoing National SMS are the same i.e. Rs.1.50 per SMS.
- 2) There are however SMS packs / STVs allowed for an outgoing SMS from Home service area that enable the consumer to choose the best tariff suitable basis his requirement. We recommend that similar SMS packs / STVs be allowed for National Roaming service so that consumers get the flexibility to choose the best SMS tariff while roaming.
- 3) 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 realizing any fixed charges like rental etc. from the temporary subscribers roaming in its network, the usage charges should ideally be higher as compared to the charges for the SMS originated in the home network.

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

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

Idea Cellular's Response:

- 1) Yes, Special Tariff Vouchers with roaming benefits should be allowed for the following reasons:
 - a. It empowers the consumer to choose the tariff for a specific period based on his requirement.
 - b. Allows telecom service providers to further offer more products and services to consumers travelling outside the home service area.
 - c. Allowing multiple products while roaming will give a boost to grow the price elasticity.

- 2) STVs allow customers the flexibility and choice to avail discounted tariffs as per their convenience.
- 3) 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.
- 4) 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.

Further, we believe that there should be no specific regulatory restrictions for the products offering roaming benefits just like there are no restrictions on STVs / packs for usage in home service area. However, it may kindly be noted that in case the HPR approach is implemented the STV's may no longer remain relevant even if allowed.

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

Idea Cellular's Response:

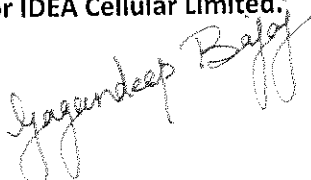
We strongly recommend that the TRAI review encompass licensing, technical and routing aspects in addition to financial / cost impact on the operators. In addition, TRAI may consider undertaking a study of practices followed internationally with respect to roaming to gain a better perspective.

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,



For
Rajat Mukarji
Chief Corporate Affairs Officer