Consultation Paper on Review of Tariff for National Roaming – Comments on Responses

Re-cap of Vodafone's Response

Vodafone, in its response to the consultation, argued that the supply of national roaming is subject to competition, that prices are not out of line with costs and that the TRAI should forbear from any form of intrusive regulation. We examined the various options for regulation outlined in the consultation — HPR, calling-party-pays, roaming ceiling adjustment — and highlighted the serious drawbacks with each option: higher prices for non-roamers, lower overall usage, a dampening of competition in the home markets, technical challenges, privacy concerns etc. Instead, we proposed that the Authority may require all operators to offer at least one plan voucher with free inbound calls when roaming. The other elements of the plan would be priced by operators to recover the additional costs associated with not charging for received calls but, at the same time, subject to competitive pressure from others suppliers. We cited examples of where operators are already competing by offering related plans.

Nothing that we have seen in the responses to the consultation has caused as to alter our views or amend our proposal. We provide some comments on others' responses below.

Wholesale services

A number of respondents (Unitech, TTSL, MTS and Dr. Budhiraja) call for the regulation of the wholesale arrangements between operators which facilitate national roaming. Although we believe that such regulation is not part of the functions of the TRAI under the TRAI Act, we respond below to some of the specific points raised.

"The current ceilings gives (sic) the incentive to incumbent operators to set the commercially negotiated wholesale national roaming rates as high as possible (but below the ceiling) in order to capture the full profit of the artificially high roaming prices in the Indian market." (Unitech)

"[T]here is no justification for such excessive cost of providing roaming, and the excessive profit is captured by the operator (typically the incumbent) providing the national roaming service and not the home network" (Unitech)

"the unfavourable terms of the national roaming agreements forced on new licensees, increases their cost of operations and weakening (sic) their business case". (Dr. Budhiraja)

These allegations are not borne out by the facts. The buyers of wholesale roaming have a choice of multiple suppliers (up to five per circle) which, because switching wholesale traffic is easy, they invariably play off against each other to achieve the best terms. The bargaining power lies with the buyer; Vodafone has recently 'lost' one of the new operator's roaming traffic to another supplier who offered a lower wholesale charge.

To illustrate the benefits of competition for the purchaser of wholesale roaming we compare, in the table below, the retail charge for national roaming offered by Unitech[1] with our estimate of the average wholesale charges prevailing in the market. The table shows that an operator supplying Unitech with wholesale roaming would *not* capture the 'full profit' from roaming. To the contrary, the margin over the wholesale charge for Unitech is between 50 and 130% depending on the service. This state of affairs has arisen *without* regulatory intervention.

Rs.	Local (per min.)	STD (per min.)	Inbound (per min.)	SMS (per msg.)	Data (per 20 kb)
Retail	1.00	1.50	1.00	1.50	0.20
Wholesale (estimate)	0.50	0.65	0.60[2]	1.00	0.12
Margin	100%	131%	67%	50%	67%

"Smaller operators will have no opportunity to provide cheaper and better services to consumers, unless providing such services at a loss". (Unitech)

The table above clearly shows that there is sufficient 'headroom" in the retail / wholesale differential for the smaller operators to offer cheaper services without making a loss. In this vein, we note that Unitech has offered its subscribers from Maharashtra and Goa free roaming when in Mumbai, via a tie with Tata DoCoMo.

It will be that, post the type of regulation that Unitech is advocating — a lowering of the current price ceilings — the margin that Unitech will earn on national roaming calls is reduced. However, this is a consequence of retail price regulation rather than symptomatic of a problem in the supply of wholesale services. The latter is competitive, and to regulate its operation because retail charges are capped would be a case of the tail wagging the dog.

Cost structure of various operators is drastically different given scale and presence of the operators. The integrated operators having pan-Indian presence and ILD/NLD license are at a significant advantage compared to the ones having regional footprint. (MTS)

It is true that operators' individual investment decisions affect their cost structure; this is an important element of competition. It however provides no justification to regulate wholesale roaming charges. Operators individually *choose* to make build / buy decisions which affect the structure of their costs and their level of market risk:

- If an operator wants a 'home type' presence in a market it can buy spectrum at the market rate and deploy a network. If it chooses not to, its 'home' customers can only enjoy service in another SLA by buying wholesale national roaming from operators that have made investments in spectrum and network. In doing so it must accept a different mix of on-net/off-net calls from the latter.

[1] http://www.uninor.in/plans-offers/Pages/national-roaming.aspx

[2] The figure includes the NLD carriage charge (at the average of the rates quoted by TRAI in the consultation) and an MTC charge of Rs. 0.2 per minute.

- If an operator wants to make an upfront investment to move calls between SLAs it can build its own NLD transmission network or buy IRUs from others. If not, it must pay a per minute charge for the carriage of calls to an operator who has made this investment.

The fact that some operators have chosen to take a lower risk approach, and invest in neither spectrum (in some circles) nor build backbone transmission networks, is not a justification to regulate the provision of national roaming services. It is not the place of the regulator to 'reward' operators for choosing not to invest.

Vodafone does not agree with the arguments presented for regulating wholesale charges. We believe that regional operators are not disadvantaged under the current regime. Furthermore, we submit that our proposal that operators should be required to offer a plan voucher with free inbound calls when roaming will, similarly, not put the operators without a pan Indian presence at a disadvantage. The costs paid by the regional operator for NLD carriage and the visited network wholesale charges are also incurred by the pan Indian operator. All operators will have to make up the costs associated with free inbound calls from the other elements of the plan.

One Nation Roaming

Reliance is an enthusiastic supporter of HPR regulation. It asserts that roaming regulation will stimulate calling and that this will, in an unexplained manner, promote "national unity". This is however a rather one dimensional assessment; there is no consideration given in their response to the costs or downsides of regulation: higher prices for non-roamers, lower overall usage, a dampening of competition in the home markets, privacy concerns etc. The corollary of Reliance's position is that *all* charges should be regulated downwards because this will alleviate a "barrier to the unhindered the unhindered consumption of telecom services".

Vodafone submits that the costs of HPR regulation will significantly outweigh any benefits. Therefore, we have instead proposed a much less intrusive form of regulation — a requirement to offer a plan voucher with free inbound calls when roaming — which will benefit those customers who take up the plan without imposing costs on others.

Inadvertent Roaming

Reliance and Dr. Budhiraja use inadvertent roaming to justify the imposition of HPR style regulation. To our knowledge neither party has supplied any data to demonstrate the extent of inadvertent roaming.

Vodafone's network team is vigilant to the difficulties faced by rare incidents of inadvertent roaming. By definition these only apply in towns and villages in adjacent circles and such instances do not justify the most intrusive type of regulation: HPR.

In addition, there are tariffs made available by us for the requirements of customers in border areas. For example, customers in Haryana located in the border areas with Delhi can opt to pay 19 rupees for a plan with 200 free inbound minutes when roaming with outgoing calls charged a 1.2p/second. Other similar offers are available in Andhra Pradesh which shares its borders with Orissa, Madhya Pradesh, Maharashtra and Tamil Nadu.

Miscellaneous

Dr Budhiraja states: *"Since Pan India operators keep their own subscribers (86% of the customer base) compulsorily or by default on their own network, there is no competition as far as roaming tariffs are concerned".*

To Vodafone this appears to be a non sequitur; operators will endeavor to attract and retain customers irrespective of the extent to which they are vertically integrated. In the same manner, regional operators will compete for customers who roam by selling a service which is, in part, bought from others.

Vodafone

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