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SSTL/CP/12-2013/
9th December 2013

The Advisor (NSL)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi – 110 002

Subject : Response to the TRAI Consultation Paper on Revenue Sharing Arrangement for Calling Card Services.

Dear Sir,

At the outset we appreciate and welcome the Authority's consultation paper on Revenue Sharing Arrangement for Calling Card Services.

With reference to above please find enclosed our comments & point wise response to the consultation paper on "Revenue Sharing Arrangement for calling Card Services."

We do hope that the Authority will consider our views and comments while framing guidelines on Revenue Sharing Arrangement for Calling Card Services.

Thanking you,

Yours faithfully
For **Sistema Shyam TeleServices Ltd.**

Yadav

Suresh Yadav
Dy. Director – Corporate Regulatory

Encl : As above

Sistema Shyam TeleServices Limited
A Sistema Shyam Company

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Response to the TRAI Consultation Paper on Revenue Sharing Arrangement for Calling Card Services

Sistema Shyam TeleServices Ltd (SSTL) welcomes the opportunity to respond to TRAI's consultation Paper on "Revenue Sharing Arrangement fro Calling Card Services".

We do not support need of Regulatory intervention to specify the revenue share arrangement for Calling card Services. We submit following reasons in support of our contentions.

I. **A competitive Access Service Charge for Calling Card is better than Regulatory Intervention.**

(i) SSTL believes that the competitive forces should be allowed free play for optimal level of access service charge for calling card service. Competition is most important stimulus for ensuring that consumers benefit from advances in the mobile sector.

(ii) As most service providers have been able to agree on Access Service Charge on commercial terms, there seems to be no justification for regulatory intervention. It is only when commercially service providers do not reach agreement in relation to access service charges, there could be basis for regulatory intervention.

II. **Decision to regulate Access Service Charge would be against the principle of tariff forbearance.**

(i) TRAI policy of tariff forbearance clearly demonstrates that the market is functioning effectively. The current levels of call pricing is not based on cost but it reflect consumer preferences. The local calls are cheaper and ILD calls to an extent subsidies local call operations.

(ii) The TRAI proposal to specify wholesale access service charges would lead to forced rebalancing of tariffs i.e ILD calls getting cheaper and local calls getting expensive. The majority of consumers prefers cheaper local calls and would reject the idea of rebalancing of prices. The trade off between local and ILD call rates is not a good idea.

(iii) The ILD calls are a lower priority for most subscriber than the cost of local calls as these calls have greater bearing on their telecom expenses. Any perceived benefits of regulatory intervention should be weighed against the current consumer experience. We believe Regulatory intervention to specify lower access charges would not be in overall interest of consumers.

III. 'Cost-based' origination linked to termination charges is not appropriate

(iv) SSTL finds no case for limiting originating operators only the directly linked 'bare' cost recovery as in the case of termination charges. As consumer prefer affordable local calls, there is imbalance in cost recovery from local and ILD calls. Thus it would be inefficient to allow only directly linked cost recovery from the calling card operators for access services.

(i) As explained above artificially low regulated access service charges would lead to rebalancing of tariffs which would compound rather than correct consumer interest.

IV. Opportunity Cost of Origination Service for ILD Call

(i) Given that access service for ILD or NLD calls is functionally comparable to access for IN service, there should be no a priori expectation that the competitively negotiated rates between access providers and Calling Card Service Operators should be at same rates i.e 0.52 paise per minute.

(ii) It may be noted that in a calling card scenario operators would not have to absorb lost retail revenues. Thus wholesale prices for access services for calling cards would have direct bearing on overall revenues of service providers. Thus opportunity cost of Access Service is the cost on which access service charges should be based.

V. Whole Sale pricing for Calling Card should not be decided on Work Done Principle

(iii) The TRAI has referred TDSAT judgment with regard to TRAI jurisdiction being limited to determine the charges on cost based and work done principle………". We do agree that the judgment is applicable in the instant case as the issue is of revenue share and not exactly of costing of services.

(iv) There are number of pricing methodologies used by regulators and not particularly based on work done principle. Benchmarking, Retail based, etc are few examples of acceptable pricing principle.

(v) Although we are against any regulated price regulation but in case TRAI believes that certain ceiling rates are required to be specified then for access service than rates should be based on retail charges. In this methodology the wholesale rate is determined by subtracting certain costs from the retail rate.

<u>Our Response to issues specifically raised in the Paper:</u>

1. **Whether the access charges to be paid by NLDOs/ ILDOs to access provider for calling cards should be prescribed both for NLD and ILD calls or for ILD calls only?**
   &
2. **As the work done by the Access Provider is the same for NLD and ILD calls, should the originating access charges for NLD and ILD calls be the same or different?**

   SSTL suggests that access charges should be based on retail prices. As retail prices for NLD and ILD calls are significantly different, access charges for NLD and ILD calls should also be different.

3. What method should be applied for prescribing originating access charge to the Access Provider? Please provide all details including data and calculation sheets, if any.
&
4. Whether the access charges should be same for mobile and fixed line?
&
5. What are the issues that need to be addressed to ensure calling cards are also used when a subscriber is roaming?

Access Service Charges can be decided using Retail minus methodology as given below:

Average per minute Retail tariff for ILD calls

(-) Carriage Cost
(-) Termination Cost
(–) 12% Margin for Calling Card Operator

Access Service Charges

(vi) In case subscriber is on roaming than markup should be allowed so as to compensate Access Service Providers for incremental roaming costs.

6. What are the prevalent regulatory practices in other countries regarding access charges in case of calling cards?
&
7. Any other relevant information related to subject along with all necessary details.

No comments