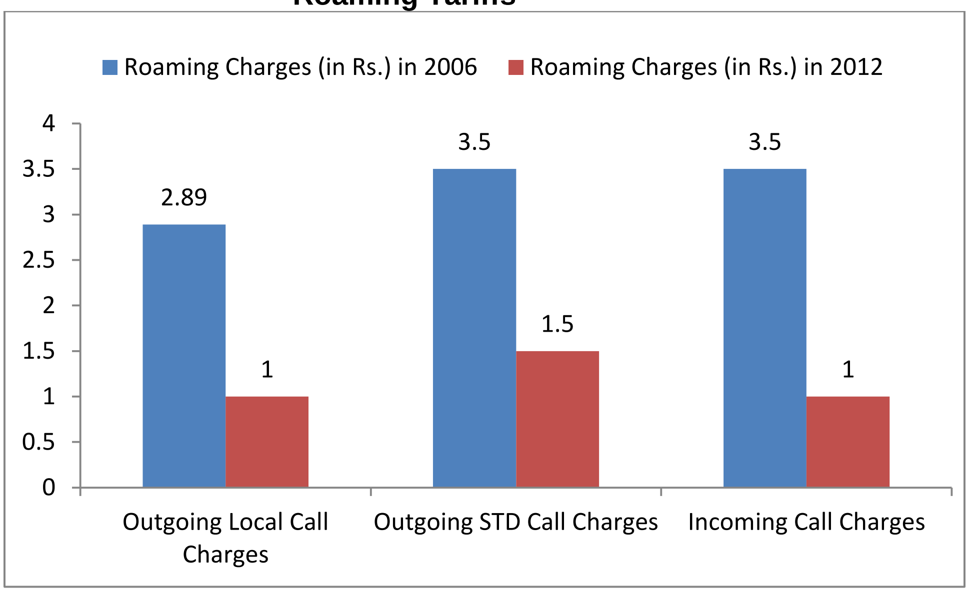
COAI response to the TRAI Pre-Consultation Paper on "Review of Tariff for National Roaming"

Preamble:

I) Tariff Forbearance:

1) At the outset, we would like to submit that COAI has always advocated that tariffs should be under forbearance and should not be driven or dictated by Regulatory and Policy interventions. In spite of inflation, tariffs for telecom services including tariffs for roaming have fallen over the years driven by market forces.

Roaming Tariffs



Source: TRAI Consultation Paper on Review of Ceiling Tariffs for Roaming Services dated 2006 and TRAI Pre-consultation Paper on Review of Tariff for Roaming services -2012

2) **Moreover, roaming gives the consumer the benefits of anytime, anywhere connectivity on a single number** and hence, there is a **significant advantage to consumers who avail of this facility.** However, it must be recognized that there are **costs involved in providing this service.** It is therefore submitted that **if a consumer does not want to take roaming** facilities, **he has several other connectivity options outside his service area which include prepaid, PCOs, etc.**

3) If the **objective of the Authority** to review the ceiling tariffs for roaming is to ensure that benefits of lower retail roaming tariffs accrue to subscribers, then that already has been achieved as roaming rates have fallen over the years and prevailing rates are below the ceiling. If the objective of the Authority is to remove confusion from the minds of subscribers, regarding roaming tariffs when they visit different circles, then that objective has also been achieved as operators adequately publicize roaming tariffs through various channels to ensure that the subscriber is aware of the same.

II) Determination of Roaming Charges:

1) Before TRAI goes ahead with the review of ceiling tariffs for roaming, it is important to have clarity around the definition of Roaming Charges. TRAI while computing the ceiling tariffs for roaming vide its TTO (44th Amendment) had considered three major elements: Interconnect Usage Charge (IUC), Access Deficit Charge (ADC) and Incremental Cost for Roaming.

2) The charges levied for provision of Roaming service are based on incremental cost including, but not limited to, cost of network augmentation for roaming, maintenance of roaming data, signaling charges, maintenance of TAP files, processing/ settlements by Clearing House, etc.. This adds to the costs of the roaming service, over and above the prescribed IUC. While the ADC has been abolished and the IUC charges are defined by TRAI, the principles of full cost recovery of all items including allied service items plus margin should be the criteria for determination of roaming charges.

3) Moreover, it must be kept in mind that there have been a significant increase in the Regulatory costs due to the issues, like EMF, UCC, MNP, subscriber registration, excessive charges by local authorities for RoW and towers, uncertainty around issues like VAS activations.

III) Issues Requiring TRAI's consideration :

We would further like to submit that the proposal by TRAI to review the roaming charges is a complex issue, which will have serious financial and operational implications. There are several key issues which need to be kept in mind while initiating a review of ceiling on Roaming tariffs. Some of these issues are listed as below:

a) **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 areas. **This will not be a consumer friendly approach and we will like to know how TRAI will address this concern of the industry?**

b) **Cross Subsidization:** Instead of recovering the cost of roaming from the actual user, the operators will be required to spread it to the entire customer base which will result in the ordinary customer, who does not roam, pay for the more affluent roaming customer.

c) **Implication on the NLDO's:** As per the TRAI IUC regulations, the cost of the carriage is regulated and the ceiling prescribed is at 65 paise. This amount is payable to the NLD service provider for carriage of calls. There are several National Long Distance providers in the Indian market and obviously, their business viability will be directly impacted if the costs of carrying the roaming calls are not adequately compensated. **We would like to know as to how the proposed review of the ceiling rates for roaming take into account the NLD licenses and the investments made by NLD operators for the provision of service?**

d) **Artificial divide between STD and Roaming calls**: A review of the prevailing ceiling on roaming charges will have to consider the tariffs prevailing for long distance calls. An undue reduction in the ceiling applicable on roaming charge or free roaming will create an artificial divide between STD and roaming calls, which is both destructive and discriminatory. Thus a Delhi subscriber calling to say, a Mumbai subscribes, will pay carriage /STD charges, but a Delhi subscriber roaming in Mumbai will pay no charges to receive incoming calls which involve the same cost of carriage. **We would like to know how TRAI will address this issue in the proposed review of Roaming rates?**

e) **Fee levied by BSNL:** BSNL is recovering a charge from other operators to the tune of Rs 25 per subscriber per month per for national roaming. This charge is payable by other operators to BSNL even if the roaming subscriber makes just one call. **We would like to understand how TRAI will address this issue while examining the prevailing ceiling on roaming charges?**

f) **Review of interconnection Arrangements:** In case TRAI proposes to go ahead with the review of ceiling for roaming, the Authority needs to take a holistic view of the entire interconnect arrangements which are presently prevailing in the market. The interconnection agreement of private operators with BSNL, even today are not reciprocal and private operators, even after more than 17 years in operation, are still treated as seekers of interconnection. **Since this has an implication on the overall cost burden of the operators, the Authority must look at the implication of these issues while undertaking the proposed review of ceiling for roaming tariffs.**

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.

COAI Response:

a) As highlighted in the preamble, we are of the view that in line with the tariff for other services offered by the cellular mobile/UASL operators to their customers, the tariffs for the roaming services should also be kept under forbearance.

b) **Roaming tariffs are below ceiling:** As highlighted by the **TRAI, the Roaming Tariffs are already much below the ceiling prescribed by TRAI and** therefore it makes a little case for intervention by TRAI, when market forces are working well.

S. No	Item	Tariff Ceiling	Prevalent Roaming Call Charges
1)	Outgoing Local Call Charges	Rs.1.40 per minute	Rs. 1 per minute
2)	Outgoing STD Call Charges	Rs.2.40 per minute	Rs. 1.50 per minute
3)	Incoming Call Charges	Rs.1.75 per minute	Rs. 1 per minute

Source: TRAI Pre-consultation paper - 2012

c) Notwithstanding the above, in case the Authority wishes to Regulate Roaming tariffs, the cost components that may be considered are:

   i) IUC for Termination Charge for outgoing Local and National Long Distance calls while roaming nationally.
   ii) Carriage Charges of upto 65 paise for calls while roaming.
   iii) SMS termination charges for incoming and outgoing SMS while roaming nationally.
   iv) Carriage Charge (SCCP) for national SMS charges for receiving SMS's while roaming nationally should be allowed.
   v) Cost of all network elements involved like Core switching Nodes, VAS & IN nodes, EIR, Access nodes, IT infrastructure, Call centres, Packet core nodes, Transmission and Bandwidth etc.
   vi) There has been a significant increase in the Regulatory cost burden because of issues such as EMF, UCC, MNP, subscriber registration, excessive charges by local authorities for RoW and towers, uncertainty around issues like VAS activations etc.
   vii) CAPEX and OPEX of all network components and IT infrastructure.

d) Any costing methodology for services like Roaming needs to be viewed from a cost plus basis creating an incentive for operators to plan and provide such services to their subscribers.

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?

<u>COAI Response:</u>

a) At present in-roamers pay for the cost of incoming calls. The incoming call charge while roaming, includes cost in terms of carriage (to be paid to the NLD operator) and termination charges (to be paid to the visiting network operator), thus any attempt to remove the same would have serious cost implications and aberrations in tariff regime.

b) Operators will be forced re-balance tariffs and subscribers who use roaming facility frequently will benefit to the detriment of subscribers who do not use roaming services so frequently. We believe that this will not be a consumer friendly approach as all subscribers, especially the marginal and rural subscribers, would be impacted.

c) We are of the view that increasing the cost of outbound calls in order to subsidies the price of inbound calls would needlessly distort the market. Further, we see no reason why customers who do not roam should subsidize the tariffs of those who Roams.

d) Also, we do not believe that this would be possible in a market where the impact of regulating roaming would be felt differently across operators and therefore if the costs involved in receiving calls when roaming are not paid by the roaming subscriber, these costs will remain unrecovered.

e) Removal of the cost burden for incoming calls from the roaming subscriber will have an adverse impact on relatively smaller operators, who do not have a PAN India footprint and are using the services of other operators for roaming services.

f) Further, we would like to submit that while the CPP regime was introduced in 2003, it is not applicable to the incoming leg of the call to the roamer and this principle was rightfully followed by TRAI in 2007. We therefore urge TRAI to continue this approach. The principles that have been developed for wholesale roaming and carriage in the last 18 years should continue as far as possible.

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?

COAI Response:

a) In case the difference between the tariff while roaming and the tariff in the home network is done away with following issues as highlighted in our response may arise such as; i)Potential Increase in Tariffs, ii) Cost Burden on the incoming calls on Roaming, iii) Implication on the NLDO's iv) Fee levied by BSNL v) Review of interconnection Arrangements, vi) Artificial divide between STD and Roaming calls, vii)tremendous increase in roaming traffic, particularly incoming roaming leading to QoS issues viii)level playing field

b) Further, we would like to submit that any arrangement where the difference between the tariff while roaming and the tariff in the home network is done away with cannot work as it will undermine the investments made by the operators. It will also result in non-recovery of cost of termination of roaming traffic and other roaming related 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 prescribed, the service providers may kindly provide the cost data and costing methodology to be used.

COAI Response:

a) Presently video calling is at a very nascent stage in the Indian telecom sector. Thus, it would be too premature to prescribe any tariff for video calls .We therefore feel that there is no need to interfere with the roaming tariffs for video calls and these should be kept under forbearance.

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.

COAI 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?

COAI Response:

a) We are of the view that the operators should be given the option to provide the special Tariff Vouchers (STV) to its roaming subscriber.

b) We also request that along-with STVs, TRAI should allow roaming tariff benefits through Combo vouchers since, combo vouchers are in much demand due to convenience to customers.

c) The STV to the roaming subscriber would give him a choice to avail the discounted tariff on voice, SMS and Video services while roaming.

d) Further, the STV offerings to the roaming subscriber should be left to market forces and the subscriber's choice.

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?

COAI Response:

TRAI should undertake a comprehensive review of licensing, legal, technical and routing issues, as well as financial/cost impact on the operators.

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