LOOP MOBILE

LM/TRAI -03
January 16, 2013

Mr. Raj Pal
Advisor (F&EA)
Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi 110 002.

Sub. : <u>TRAI Pre-Consultation Paper on "Review of Tariff for National Roaming".</u>

Dear Sir,

This is with reference to Pre-Consultation Paper on **"Review of Tariff for National Roaming"** issued by TRAI on December 20, 2012, seeking for comments from the stakeholders on the issues involved.

We would like to submit that the proposal by TRAI to review the roaming charges is a complex issue & 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.

In this connection, we would like to highlight some of the important aspects of the core idea that is contemplated--- removing the difference between roam and home tariff:-

<u>Single circle operator with pure mobile services license:</u> A large number of incumbents are now Pan India operators and are also integrated players with NLD services through a group/sister company.

However many of the new operators and operators such as Loop Mobile do not have Pan India footprint and some do not have NLD play through Group Company.

The idea of making roaming rates equal to local rates does not take into account the factor that service providers without pan India operation and without integrated play depend on other service providers to provide national roaming services.

The pricing for such roaming service has to be factor inter-operator rates/payouts.

At a specific level how can incoming calls during roaming be offered free when there is a payout/cost incurred in the service? Proposal to eliminate roaming tariff and make it equal to home tariff will make for losses for some call types and squeeze margin out for other call types. This move discriminates against the non-Pan-India operators and militates against the very concept of circle-wise license.

Zero-Sum game: Business enterprise will eventually pursue a pricing strategy to meet defined objectives in terms of Revenue and EBIDTA for different business periods. Any price determined and mandated externally for a specific service/call will then force-reprising of other call types/services etc to make good the margin loss. In this instance therefore mandating lower roaming prices will in the ultimate analysis lead to increase in Home location call charges. What superior objective is achieved in reducing roaming call rates at the cost of increasing home call rates is the question we need to answer?

Telecom operators particularly the smaller/newer operators and even some of the older/pan-India operators are in no financial health to absorb this reduction in roaming rates.

Prerogative to position and price products and services: Roaming and such other tariff should be determined in the market-place based on marketing strategy driven by competition and customer demand. Regulator should fix the ceiling rates and set the boundary but not dictate tariff. This is a very important principle as the service provider should have unfettered freedom to define his brand objectives in terms of revenue/EBIDTA/pricing/ differentiation etc.

If the marketer has such a right in other product categories why should telecom be any different?

In as much as the business enterprise in telecom is accountable for its own profit/loss/viability, it should be vested with the same degree of freedom and choice to pursue its business objectives as any other enterprise in any other sector.

Balance between home and roam rates: Home location tariffs in some markets are at 30p per minute to 50p per minute. If there is a mandate to make home rates equal to roam rates, it will in the first instance drive an increase the home tariffs as these rates are not sustainable as roaming rates. Free CUG calls and low on-net rates will have to undergo complete overhaul if home rates are equated with roam rates.

Pricing based on cost: Telecom is characterized by:-

- High fixed cost as a % of total cost.
- Critical minimum cost to be incurred for spectrum and network coverage --- costs incurred upfront ahead of capacity build-up.
- Costs of new operators and existing operators at completely different scales.
- If the fixed costs of a new operator are allocated per minute consumed it will be completely at variance with that of an incumbent operator with high CMS/RMS.

- Cost as a basis should then set the minimum price--- and the cost should include allocated fixed costs as well.
- Pricing should be seen as a strategy and not necessarily directed by costs.

Pan India operators are already at a competitive advantage by virtue of scale and size and have locked-in roaming customers on their OWN network without giving them any choice to roam on other networks. This restrictive practice needs to be stopped and Subscribers should be given the choice to select network while roaming. This is the most glaring anomaly that needs to be fixed.

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?

Further to above, please find our point wise reply to all the questions raised in the said Pre-Consultation paper is as given below:

Q1 Should the present cost based approach for determining tariffs for national roaming continue?

- Costs should set the minimum threshold for pricing. And the present approach of setting the ceiling and allowing market to determine the rates should continue.

- We would also like to submit that in the interest of the new and select-circle-operators TRAI should define the ceiling for inter-operator rates.

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 pro-forma placed at Annexure. NLD Carriage Charges & Termination.
Cost components to be factored

- All direct variable costs including NLD payout.
- Allocated fixed opex of a service provider per minute produced.
- Direct network capex for network services.

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.

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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?

- Incoming calls should continue to be charged as at present and the concept of roaming should continue. After all there is an additional call forwarding scenario and additional cost incurred in providing the service

- It can be removed only by loading this cost on other call types. And in doing so we should factor 2 to3 times increase in call volume when incoming is made free

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?

- Non-pan India operators will be at a further competitive disadvantage and continue to lose market share. In the long term they will exit the market and this will lead to reduced competition and increase in tariff.

- Reduction in roaming tariff will have a direct impact in terms of increase in home tariff to.
  - Offset loss of margin.
  - Reset the benchmark for roam tariff. If the roam tariff benchmark is home tariff, it makes increasing the home rate first so that higher roam rates can be secured.

Q.6 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 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.

- The tariff for Video calls can be left to market determination at this point in time.

- However if the regulator wants to set the ceiling it can be done using a thumb rule of a multiple on home tariff.

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.

- TRAI should set the ceiling and allow market to discover prices thru negotiation and competition.

Q8. In your opinion, would it be appropriate to allow special tariff Vouchers for roaming subscribers?

- Yes. This should be left to the discretion of the operator.

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?

- We have covered in main 5 points.

This is for your kind consideration, please.

Thanking you,

Yours faithfully,
For **Loop Mobile (India) Limited**

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