

UNINOR'S RESPONSE ON PRE-CONSULTATION PAPER ON REVIEW OF TARIFF FOR NATIONAL ROAMING

Preliminary comments

We welcome the invitation to give comments and proposals on the above subject which is of major importance to the principle of consumer welfare and efficient utilization of nationwide networks. Roaming services and tariffs have traditionally been priced at a significantly higher level than services provided on own networks despite the actual cost of providing such services not being significantly higher than that associated with delivery on own network.

The main issue is to assess the incremental costs associated with the provision of roaming services and how the principle of forbearance on both tariffs and access impact the competitive landscape.

Access to cost oriented domestic roaming services, both intra circle and inter circle, is of paramount importance to smaller operators. An efficient telecommunication sector will aim for an optimum utilization of networks and avoid duplication of costs that will ultimately be passed on to the end consumers. In this regard, cost effective interconnection and domestic roaming services are essential elements for any small operator during the network roll out period, and could accordingly be used as an effective competitive barrier by larger and older incumbent operators.

Hence, in order to make this market efficient it is important that the focus is aimed at the inter operator wholesale market rather than the retail level, and that provision of such wholesale services are made mandatory for dominant/incumbent operators at cost oriented rates.

It is of extreme importance that the inter operator charges and settlements are at a level where margin squeeze or below cost selling due to cross subsidization practices are prevented. Only by regulating the wholesale market can such practices be eliminated.

A careful examination of current on-net retail tariffs, including benefits given through STV's should be conducted among all the operators, as this tariff level is most likely to give a benchmark of where the roaming tariffs should be set. Any level significantly above this would in essence be a clear indication of either below cost pricing on on-net or a case of margin squeeze, both which are issues under the general competition law. Further, taking due account of the objectives of one India one rate contained in the current National Telecommunication Policy, the principles outlined in our responses below should go a long way towards achieving this objective.

Present review exercise

We fully agree that a detailed costing analysis and a careful assessment of the state of competition should be conducted. Long term competitive viability will only be ensured when barriers to entry and expansion have been removed. A wholesale rate for domestic roaming which are set at a level where the visited network recover their costs plus a reasonable profit margin and where the home network recover their cost plus a reasonable profit margin should be the main goal, thus reducing the overall customer cost.

A further element is the network identification shown to the domestic roamer. It would be prudent that the network identification shown on the consumer handset during roaming is that of the home network as this is where the customer relationship resides.

Issues for Pre-consultation

(i) Should the present cost based approach for determining tariffs for national roaming continue?

And

(ii) 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.

And

(V) 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?

Answer-

Our view is that the wholesale provision of domestic roaming services should be based upon actual costs plus reasonable margins.

For incoming calls, the visited network essentially has no other costs than it would have from an ordinary terminated call. We have previously given detailed information regarding IUC elements, including calculations and principles where the actual IUC rate arrived at was INR 0.10. These calculations and principles were subsequently supported by TRAI.

An outgoing local / intra-circle call will, for the visited network in addition to the IUC incur the cost of origination, which should be at the same level as the cost of terminating a call. Hence a local / intra-circle on-net or off-net call in the visited network should therefore not cost the home network more than INR 0.20 on a wholesale level. A prudent benchmark of the actual cost of providing such service is the actual retail rates (including STV benefits) currently offered on on-net calls in the market.

With respect to an outgoing inter-circle call the only additional costs for the visited network is the cost of carriage between circles. Taking due account of the fact that cost of carriage should, in an IP world, be very low, such cost can be recovered by the home network through a simple mark up on the wholesale tariff levied by the visited network.

In relation to which cost components should be included in the determination of such charges, we have previously given detailed information regarding IUC elements.

If wholesale provision of national roaming is made mandatory for dominant / incumbent operators at cost oriented rates, the competition in the market place will ensure retail rates for national roaming will be reduced to cost efficient levels for the benefit of the Indian consumer.

(IV) 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?

Answer -

From the visited network there is no substantial difference between providing an incoming call to a customer roaming from another network compared with an incoming call to its own customers. If the wholesale rate charged the home network for incoming calls is fixed at the level of IUC as described above, then the only additional cost incurred for the home network is the inter-circle carriage charge.

The home network should be allowed to recover this cost from the customer. Taking due account of the fact that cost of carriage should in an IP world be very low, such cost is likely to be insignificant. Further, competition in the Indian market is likely to ensure that any surcharge to the customer in case of roaming will be reduced to the level of actual costs of carriage including a reasonable margin for the home network.

(VI) 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 be prescribed, the service providers may kindly provide the cost data and costing methodology to be used.

Answer -

This service has started being offered recently with the commissioning of 3G networks by few operators, that too in limited no of cities.

It is therefore too early to regulate tariffs for video calls, while roaming. Perhaps it will be prudent to leave it to market forces and only after Commissioning of few Broad Band networks

and also more 3G/4G networks, when such services become Universal that TRAI should intervene and regulate the tariffs.

(VII) 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.

Answer -

As for voice calls, the principle should be that incoming SMSs to roaming customers are treated equal to SMSs received by the visited networks own customers. Hence, the roaming charge for incoming SMSs should continue to be fixed at nil as long as this is the principle for ordinary SMS interconnect.

In terms of outgoing SMSs while roaming, the effective cost for the visited network consist of an origination cost as well as – in case of inter-circle calls – a carriage charge. However, the actual costs are significantly lower than the prevailing rates charged today and future wholesale rates should only reflect the actual costs.

A simple evaluation of the present SMS rate level in the market should be conducted as it will give a reasonable overview of the ballpark cost figures as calculate by the networks own pricing experts. There is currently a parallel consultation ongoing regarding the SMS market and we refer to our input to that consultation for more details and principles.

(VIII) Would it be appropriate to allow special tariff vouchers for roaming subscribers?

Answer -

In the current scenario of Telecom Services Sector, where TSP's are a mix of PAN India, Regional, or even single circle with extremely varying market shares, STV's for roaming subscribers will become an alternate approach to add to on-net/off-net tariff imbalance. Therefore in the interest of not further vitiating competitiveness in the market place this should not be permitted.