

ADITYA BIRLA



IDEA Cellular

9th Dec 2013

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Idea Cellular's response to TRAI Consultation Paper on "Revenue Sharing Arrangements for Calling Card Services"

Sir,

At the outset, we would like to submit that Idea Cellular believes that Regulatory intervention is desirable only when market forces do not themselves lead to benefit for consumers. Further, we are of the view that prescribing Revenue Sharing Arrangement for Calling Card Service does not come under the ambit of Interconnection per se and the Authority needs to take note of the same. We also believe that the pricing of NLD/ILD tariffs should be guided by the "spirit of forbearance" not only at the "consumer level" but also at the "access charge" level, and should not get driven by the "perceived" lack of effective competition in the NLD/ILD tariffs offered to subscribers. In this regard, we would like to submit that the competition in the national & international long distance segment has increased significantly with multiple NLD/ILD players, many of whom are also access providers, already having entered this segment. The presence of such players, who are Access as well as NLD/ILD players, thus ensures that the best and most competitive NLD/ILD tariffs are already available to such consumers.

Further, it is our belief that "benefit for customers" and "sustainable health of the Telecom Industry" should be the only 2 key drivers for any Regulatory and Policy intervention.

In addition to the above, we would also like to submit the following:

- ✓ It is well-established and acknowledged now that hyper- Competition and multi-SIM phenomenon of the last few years has manifested itself as high rates of customer churn and continuously shifting customer loyalties.
- ✓ Intense competition has also ensured that NLD/ILD Tariffs have for the last few years shown various declines, this inspite of the undeniable fact that inflation has impacted every sector including telecom.
- ✓ Further, increased penetration of Smartphones has led to an increasing number of subscribers using various applications for ILD calls that allow them to make such calls for free.
- ✓ In addition, the cost arbitrage available in the matter of ILD termination charges, has led to a wide disparity in the number of incoming ILD calls and outgoing ILD calls.
- ✓ While the ILD outbound traffic has declined significantly because of arbitrage issue, the input cost of outgoing ILD calls has moved up on various international routes, primarily because of currency related fluctuations.
- ✓ However, for ease, convenience & affordability of consumers, Idea Cellular and various other service providers have continuously innovated and offered country specific, weekly & small denomination add-on ILD packs that allow subscribers to make long distance calls at reduced tariffs.



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- ✓ Over the last few years, the cost of Regulation / Compliance has also progressively moved up and still continues to be on the rise.
- ✓ In addition, the cost of spectrum has gone up many times compared to what it was a decade back. It is now a significant chunk of the operating costs.
- ✓ The combined effect of these and various other factors means that operator margins against the existing NLD/ILD tariffs have been continuously shrinking in an era of rising input costs and shifting loyalties.

While little has been done to address these specific issues that are very real from an access operator's perspective, the Authority needs to appreciate that operators have made huge investments over the last few years on setting up networks to reach the remotest areas of Indian geography. Access operators are also constantly incurring huge costs & efforts in carrying out the complex task of acquiring & retaining customers and any regulatory intervention in this area as a fallout of this Consultation will tantamount to usurping the competitive advantage painstakingly built by access operators through their integrated operations. Also it is likely to hurt the ability of integrated service providers to offer customized and affordable packages to their subscribers that also allow them to differentiate their offerings in the market place.

In this very context, it is also pertinent to point out that the access providers in the Indian telecom sector are already reeling under huge debts and progressively declining returns even while there is an impression that there exists a *"high margin of around Rs. 4 per minute, which an Access Provider earns on ISD calls"*, as has been mentioned in the Consultation Paper.

In light of our above-mentioned submissions, we request that the TRAI allow *"mutual negotiations"* to continue as the basis of the revenue arrangement between access service providers and NLD/ILDs. Further, all the issues highlighted by the industry through the COAI Response, the views of which Idea Cellular also endorses, should also be adequately addressed.

Finally, our responses to the various queries raised in the Consultation are as follows:

Issue Wise Response:

Q1: Whether the access charges to be paid by NLDs/ ILDs to access provider for calling cards should be prescribed both for NLD and ILD calls and for ILD calls only?

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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?

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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.

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4. Whether the access charges should be same for mobile and fixed line?

Idea Cellular's Response:

- As already submitted, the Access charges to be paid by NLDOs / ILDOs to the Access Providers should be based on "mutual agreements" between Access Providers & Calling Card Providers.
- Since the arrangement involved here is that of "revenue sharing" that is best left to mutual negotiations between the involved parties, there should be no prescription of access charge by the Authority.

5. What are the issues that need to be addressed to ensure calling cards are also used when a subscriber is roaming?

Idea Cellular's Response:

- Roaming involves various other dimensions and dynamics of cost and charging principles.
- We would thus recommend TRAI to keep roaming scenarios out of the purview of the current proposed review exercise and float a separate consultation on the issue.

6. What are the prevalent regulatory practices in other countries regarding access charges in case of calling cards?

Idea Cellular's Response:

- To the best of our understanding, wherever competition levels are high, the calling cards have not been found to be a popular option.

7. Any other relevant information related to subject along with all necessary details.

Idea Cellular's Response:

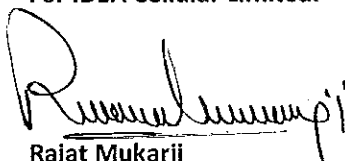
- In its Consultation Paper, the TRAI has highlighted that the ratio of incoming calls to outgoing calls has increased from three times to sixteen times over the last seven years.
- We believe that the presence of Indian expatriates in large numbers, combined with extremely low rates of call termination to India (sub 1 cents) is responsible for this phenomenon.
- Idea Cellular is of the view that the Authority should look at increasing the termination rates for ILD calls terminating in Indian to bring down the price arbitrage existing in favour of foreign operators.

We are confident that the Authority will give due consideration to our afore-mentioned comments before formalizing any guidelines on the issue.

Thanking You

Yours faithfully,

For IDEA Cellular Limited.


Rajat Mukarji
Chief Corporate Affairs Officer