MTS response on "TRAI Pre- Consultation Paper on Review of Tariff for National Roaming"

At the outset, we welcome the opportunity given to comment on the issues raised in pre-consultation paper on review of tariff for national roaming.

Preamble:

The roaming service is mostly used by the elite customers including the company executives comprising of <10% of total customer base, and there is no need for a regulatory protection by bringing the roaming tariffs down for this higher strata of the society. The proposed move of bringing the roaming tariffs down may adversely affect the overall customer base by cross subsidizing and resulting in increase in tariff for lower strata of the society.

Further, having regard to the enormous inequality in the market share and the presence of the new operators with an obvious significantly lower footprint has unarguably left the balance of power to negotiate the commercials tilted, at all times and irrevocably, in favour of the incumbent operators thereby disturbing the level playing field. Therefore, to bring in a sustained development and to uphold the TRAI objective of ensuring level playing field, the operators should be mandated to have inter-operator roaming agreements with each other and the wholesale rate i.e. the inter-operator roaming charges should also be regulated before reviewing the retail tariffs of national roaming.

Our issue wise submission is as herein below:

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

- SSTL believes that the current cost based approach has served the Indian customer well and should continue to be used going forward.
- If roaming tariffs are brought down for either incoming or outgoing calls, the operators would be forced to recover these costs through other services. The consequent impact would be to distort traffic, wherein roaming traffic would go up, but traffic from other services where tariffs are increased will be negatively impacted by price elasticity.
- Any charges remaining unrecovered from the end user must be compensated to operators by government by reducing the license fee. Thus, the proposed reduction in tariffs should be fully funded before implementation.
- However, as mentioned in the table below, there is scope for reduction in the ceiling price while on roaming set by TRAI in 2007 since cost structure has changed drastically over time.
- Focus should be more on marginal cost of providing roaming services than average cost while determining the price ceilings.
- Also, inter operator rates and roaming agreements need to be regulated in tandem so that new players are not put to a disadvantage compared to incumbents. It should also be made mandatory to provide roaming arrangement / interconnect on request.

	Previous Scenario			Current Scenario		
Cost components	**Incoming (Rs./Minute)**	**Outgoing local (Rs./Minute)**	**Outgoing STD (Rs./Minute)**	**Incoming (Rs./Minute)**	**Outgoing local (Rs./Minute)**	**Outgoing STD (Rs./Minute)**
Origination charge	-	0.3	0.3	-	0.3	0.3
Carriage	0.65	-	0.65	0.3	-	0.3
Termination	0.30	0.30	0.30	0.20	0.20	0.20
ADC	0.05	0.05	0.05	-	-	-
Incremental cost for roaming	0.75	0.75	0.75	0.75	0.75	0.75
Total	**1.75**	**1.4**	**2.05**	**1.25**	**1.25**	**1.55**
Ceiling Fixed at	1.75	1.4	2.4			

- Reduction in roaming tariffs is also in line with international experience. We understand that roaming tariffs do not exist in the United States. The European Union has also set up a Digital Agenda, an initiative launched by the European Commission in 2007, which aims at bringing down the tariff differential between roaming and national tariffs to zero by 2015.
- However, this has to be seen in context with the overall tariffs that a customer pays and as is evident by the table below, tariffs for all major services in India is much lower than seen in the European Union and United States.

Country	Voice tariffs per minute
USA	US$ 0.10-0.20*
UK	US$ 0.10-0.20**
India	US$ 0.01-0.02

Source: *Verizon Prepaid plans; **Vodafone Prepaid plans

Eurotariff maximum price while abroad	Making a call	Receiving a call	Sending an SMS	Receiving an SMS	Mobile Internet
Summer 2009	43 cents	19 cents	11 cents	Free	-
Summer 2010	39 cents	15 cents	11 cents	Free	-
Summer 2011	35 cents	11 cents	11 cents	Free	-
Summer 2012	29 cents	8 cents	9 cents	Free	70 cents/MB*

*The tariff is in cents per Megabyte to download data or browse the Internet whilst travelling abroad (charged per Kilobyte used)

- The introduction of price regulation for retail and wholesale roaming by the European Commission in 2007 also provides an example of unintended consequences of a regulatory measure.
- A justification for regulating price was an expectation that a benefit of regulating roaming prices down would be a significant increase in demand for roaming services. However, subsequent analysis has concluded that demand did not increase, and thus the benefit did not eventuate.

- As BEREC (Body of European Regulators of Electronic Communications) noted the "Demand for roaming has not increased in light of reduced prices introduced by the regulation." The EU retail roaming revenue shrank by 7% p.a. between 2006 and 2010 (and by 13% p.a. for voice).
- Over the same period, the total European mobile market grew by 2%, which suggests that the regulation of roaming prices, not global economic factors, were the main cause of this contraction in roaming revenues.
- Furthermore, it is worth noting that, prior to the introduction of regulation, outbound roaming prices were falling 24% p.a. in the EU. This indicates that the overall effect of regulation was net reduction in welfare, with little benefit to consumers but substantial financial pressure on some operators.

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.

- The major cost components have been well documented and include Origination, Carriage, Termination and Incremental cost of roaming.
- As documented in Annexure II of the TRAI document, additional equipment in billing, connectivity resources, MSC applications, cost of leased lines, clearing house, fraud management etc, need to be recovered from customers.
- This is in addition to the applicable License and spectrum fees.

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.

Not applicable

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?

- As TRAI has pointed out, there is need to develop a mechanism of recovery of carriage fees, termination and/or origination charges etc. If roaming tariffs are brought down for incoming calls, the operators would be forced to recover these costs through other services. The consequent impact would be to distort traffic, wherein roaming traffic would go up, but traffic from other services where tariffs are increased will be negatively impacted by price elasticity.
- Furthermore, roaming is used by high end customers comprising of <10% of customer base, who do not require regulatory protection. This move may therefore adversely affect the overall customer base consequent to tariff in other services going up to subsidize roaming customers.
- On the traffic side, there is possibility that outgoing traffic will go down if incoming charges are removed (through missed calls) causing further losses to the operators.

- Therefore, if cost for the incoming call be reduced from the roaming subscriber then the government needs to compensate operators for recovery of these charges by reducing the license fee.

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?

- SSTL believes that such a move is likely to incentivize operators with a regional footprint, as a pan India operator will be unable to offer a cheaper pan India "on net" offering to customer. However, a larger operator might charge an operator with smaller footprint higher roaming fees. Hence, such a move makes sense only after regulating the terms and conditions of the roaming agreement.
- Also, the license / regulation should categorically mandate that operator needs to mandatorily provide roaming related interconnect services on request and the wholesale rate i.e. the inter-operator roaming charges should also be regulated.

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 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 video calls are in a very nascent stage at this point of time therefore it should be left to market forces to determine tariff for video calls while roaming.
- As TRAI would be aware, currently only a small percentage of the total customer base has handsets capable of video calls. On an average these handsets cost more than Rs 10,000 and we do not believe these high-income customers need intervention by the regulator to protect their interest.
- Given that utilization of 3G networks in very low at pan India level owing to limited uptake of the services, the market forces would ensure that these services are priced optimally to drive traffic and usage.

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.

- There is a need to have a ceiling on outgoing tariffs for SMSs while roaming. Current rates offered at around, Rs 1.5/SMS are 50% higher than being on a local network.
- Focus should be on marginal cost of providing short message services which is negligible for most of the operators since all the required systems are already in place.
- Our view on roaming charges for SMS services is thus in line with voice and roaming charges can be brought down in line with marginal costs. In case there are some charges, which are not recovered from end users, then government needs to compensate the same to operators by reducing the license fee.

- The authority has already initiated the exercise for determining the SMS termination charge wherein we have suggested that the SMS termination charge should be under Bill and Keep regime. The tariff for SMS while roaming is dependent on the outcome of the authority's guideline on the issue of SMS termination charge.

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

We believe that if roaming charges are being regulated and reduced significantly, then STVs offering special tariff plans should not be permitted but if a ceiling is set for roaming, then the permission for offering Roaming STV's should be given to the operators.

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?

Customers of new players with limited footprint would need to roam on the networks of other players, which would require a payout of origination and\or termination charge along with carriage fees without a corresponding mechanism to recover the same from the customer directly. The impact of doing away with roaming tariffs could have a significant impact on the cost structure of new players, whose shareholders are already questioning the financial viability of operating in the low tariff, high regulatory cost operating environment.