

Aircel/TRAI/Corr/2015/39
March 13th, 2015

Shri Manish Sinha
Advisor (F & EA)-I
Telecom Regulatory Authority of India
MTNL Telephone Exchange Building
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi – 110 002

Sub: Response to the Draft Telecommunication Tariff (Sixtieth Amendment) Order, 2015

Dear Sir,

This is with reference to The Draft Telecommunication Tariff (Sixtieth Amendment) Order, 2015 dated 27th Feb'2015.

In this regard, Please find attached our response to the above mentioned Draft Telecommunication Tariff Order. We have also sent our comments through email manishsinha@traigov.in

We hope TRAI will take our inputs into consideration for deciding on the draft Amendment.

Yours Sincerely
For Aircel Group



Ramesh K
Sr. General Manager –Corporate Regulatory Affairs

Encl: as stated above

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Aircel Group Response to TRAI Draft Telecommunication Tariff (Sixtieth Amendment) Order, 2015 Dated 27.02.2015

At the outset, whilst on one hand TRAI is intervening in the retail tariff, on the other the TRAI is refusing to intervene in the wholesale tariff or compulsory access (to roaming) between operators on the ground that the licence agreement talks of "mutual commercial arrangements for roaming facilities"... this being a part of licence, TRAI is hesitant to regulate this aspect, being content with regulating the retail tariff.

Sir, in a situation such as this, either the TRAI looks at the roaming situation holistically (end to end) or not at-all (leaving it to market forces and mutual commercial arrangements). To intervene only partially in an inter-operator agreement which is on mutually accepted commercial terms will be a huge disaster to small and mid-size players, who will be made to bleed by the larger players, taking advantage of the "partial intervention" of the TRAI, which leaves the smaller operators very vulnerable.

We would like to state that consumer welfare is best achieved through a careful balance between regulations and a competitive environment. The main objective should be to lower overall operational costs through efficient and innovative utilization of resources enabled by competitive wholesale products, services and provisions that remove competitive barriers and facilitate efficient and sustainable markets. Hence, we would like to point out that regulatory oversight and intervention in the inter-operator wholesale market is of much greater importance for the sector.

In the draft document, the Roaming tariff ceiling has been proposed after linking the same to costs while leaving no margin for the home operator even if tariffs are kept at ceiling and also, there is no means of incentive for any Roaming partner to give roaming services to a home network operator.

Presently, licensing is circle-wise and an operator is free to operate in as many licensed circles, with level playing field. In telecom service profile, Roaming is an integral part and its wholesale and retail tariffing impacts the competitiveness of an operator. Of late, there have been numerous regulatory interventions as well as lowering of tariffs, due to which there is lot of stress on our revenues. Operators like Aircel, depend heavily upon other operators to provide roaming services to its customers as such, any reduction in roaming tariff ceiling would lead to huge problem in availing roaming services from such operators.

Reduction in ceilings would hit the revenues and also would make the roaming services unviable. We have approx. 60% of off-net roaming, which even presently results into huge pay-out to other operators. Further, out of the total off-net roaming traffic, we have approx. 68% out-roamer traffic, rest 32% only being for in-roamer.

Thus, it would seriously jeopardize level playing field, choice for the end consumers and would translate into a huge impact for the relatively smaller operators like Aircel. We most humbly request TRAI that there is already hyper competition in between the operators as such, no need for any reduction in ceilings.

Additional factors which also supports no reduction in ceiling, are stated in detail hereinafter few paras.



If our above views doesn't merit support from Authority and it still feels that the ceiling is to be reduced any further from existing, we request below issues are also addressed simultaneously else it would lead to non-level playing field, reduction in roaming opportunities and huge inconvenience to subscribers.

We request support from Authority for protecting the interests of smaller operators and their customers, by regulating following areas:

1. **Wholesale Roaming tariff:** TRAI has so far regulated the roaming tariff ceilings, which now, has been proposed to be at the level of cost or even below that as well. With these low ceilings, there could be a disruption of roaming service by our roaming partners. We sincerely urge that TRAI should also regulate the wholesale roaming tariff to be charged by a visiting roaming network, for voice, SMS as well as Data.
2. **Mandate Roaming Access:** So far Roaming has been on mutual and commercial negotiation basis and purely voluntary for an operator. But, such lowering of tariff ceilings would lead bigger operators not to reduce wholesale rates and thus, make roaming service by the smaller operators to its customers, economically unviable, which ultimately would lead to restriction to access of Roaming services. This will defeat the whole objective of providing better and economic roaming services to the customers.

To safeguard interests of relatively smaller operators as well as their esteemed customers, the TRAI should also mandate Roaming access to be opened by all operators including BSNL and MTNL and other private operators so that customers do not suffer.

Regulating above two issues would help avoid disruption in roaming services and upkeep the roaming services for the consumers.

One Nation Free Roaming: We strongly feel that if TRAI can support by regulating and addressing above-said issues then, the customers can expect even free Roaming regime from operators, in some time from now.

Our detailed submissions are as follows:

1. Non-Recovery of cost:

- a. The proposed tariff ceilings are being stated to be fixed at cost. It is pertinent to highlight that in some parameters while it is at cost basis however, in some scenario it is below cost as well. In case of incoming roaming call, TRAI has chosen to fix the ceiling of tariffs on the basis of NLD carriage ceiling and incremental Roaming cost. However, it has not considered and included the termination charges which are to be paid by a Home network operator to a visiting network operator.

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- b. In case of an incoming roaming call, which is originated by a subscriber of home network, the termination charges does not apply but, the same would need to be payable to the visited roaming network operator.

Call Type	Carriage Cost	Termination Cost	Clearing House Cost	Network Cost	Total Cost	Proposed Cost
Incoming Call	0.35	0.14*	0.02	0.13	0.64	0.45

*for calls originated by home circle subscribers

- c. Moreover, it is improper to consider the cost elements for a commercial service, in such above-said simplified manner. In such scenario of incoming call, the roaming partner would only be able to get termination charges. This will seriously jeopardize the commercial relationship and negotiations and there would be no incentive for an operator to provide roaming services to another.
- d. TRAI has itself noted average revenue realization for a home operator to be Rs 0.50/minute. With such huge gap, it may lead to an operator prioritizing its network and services for home network customers instead of offering it for roaming tie-ups.
- e. It is also important that TRAI has not considered the cost parameter related to payment of statutory levies like licensing and spectrum usage charges.

2. Seriously impact financials:

The proposed tariff ceilings seriously impinge upon the viability of such services for relative smaller operators. With the current costs, the roaming service would have to be provided on a below cost basis and would leave no incentive for an operator to give off-net roaming services. In case of Roaming service, normally Visiting operator would need compensation bit higher than the cost/tariff of his normal home network service else no commercial incentive left to for the visiting operator to give roaming facility to an operator. Therefore, the roaming tie-ups would lead to dwindling of revenues as well.

3. Reduction in NLD ceiling not applicable for Reduction in Roaming tariff ceiling

It is to further inform that TRAI has considered reduction in NLD carriage ceiling and applied the same for reduction in Roaming tariff ceiling, which is not proper. The NLD carriage charge existing before 12th amendment to IUC, was largely below the reduced ceiling of Rs 0.35/min (with an exception of PSU operator BSNL). With the ceiling reduced to Rs 0.35/min, we don't expect that NLD carriage can go further down in the industry from the prevailing rates. Thus, the cost of carriage would remain same and this parameter can't be used to calculate reduction in roaming tariff ceilings.

4. Cross subsidization of roaming cost into Home Tariffs



The roaming users are almost 7.5% of total subscriber base which are generally considered to be having better affordability and hence, the absorption of impact of reduced roaming ceilings into the home outgoing tariff would mean cross-subsidizing high-end users at the cost of medium and low-end users. This is not in favour of Indian consumers at large and would be against their interests.

5. Roaming tariff ceiling lower than prevailing Home Tariffs

Presently, the base tariff rates in home network are approx Rs 1 for local and Rs 1.5 for STD. The reduction in roaming tariff ceilings, would lead to a complex situation wherein roaming tariffs would be lesser than the home tariffs. This may also lead to security issues due to SIM movement and customers choosing to take SIMs from circles where tariff is cheaper on account of costs and use them in roaming in metro of bigger circles where tariff are relatively higher on account of costs.

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