Telecom Regulatory Authority of India
A-2/14, Safdarjung Enclave, New Delhi- 110 029

File No. 409-4/2006-FN **Date the 11th September 2006**

To,

All Service Providers/ Stakeholders (Through Website)

Subject: Consultation Paper No. 12/2006 dated 16th June 2006 on "Admissibility of Revenue share between Visiting Network and Terminating Network for Roaming Calls" – Decision of Telecom Regulatory Authority of India (TRAI)

TRAI (hereinafter referred as Authority) had issued a Consultation Paper No. 12/2006 dated 16th June 2006 on the issue of "Admissibility of Revenue share between Visiting Network and Terminating Network for Roaming Calls." Comments were received from various stakeholders on the issues raised in the Consultation Paper. An Open House Discussion with the Stakeholders was held at New Delhi on 17.07.2006.

2. Having considered the opinion of various stakeholders contained in their written submissions, the views expressed by them in the Open House Discussion and other relevant facts, the Authority reiterates that there is no justification for a revenue sharing arrangement among operators in respect of roaming calls (National & International). The Authority's earlier decision that terminating operator should get only the termination charge as prescribed in the IUC Regulation, is reconfirmed.

3. The detailed analysis leading to the above decision is attached as **Annex-I**.

4. As the issue of revenue share between visiting and terminating networks has been specifically visited by the present consultation paper, it will be just and fair to make this decision of the Authority effective from the date of this order. All the service providers are advised to comply with the above decision and report compliance to the Authority latest by 11.10.2006.

5. This issues with the approval of the Authority.

Yours faithfully,

(S.N. Gupta)
Principal Advisor (FN)

Annex- I

TRAI's Analysis on admissibility of revenue sharing between Visiting and Terminating Network for roaming calls.

Interconnection Usage Charges (IUC) Regulation dated 29th October 2003, (hereinafter referred as 'Regulation'), prescribes uniform termination charge @ Rs. 0.30 per minute for all types of calls. TRAI's (hereinafter referred as Authority) Regulation stipulates that "Termination charge for calls to Basic (Fixed, WLL (Fixed) and WLL with limited mobility) and Cellular networks would be **uniform @ Rs. 0.30 per minute**. The same termination charge would be applicable for all types of calls viz. Local, National Long Distance and International Long Distance."

2. One of the operators with significant market share conveyed its scheme for additional revenue share, over and above the prescribed termination charge for terminating the roaming calls in its network. It also sought commercial agreements with other operators on reciprocal basis. To deliberate upon the issue in a consultative manner, following its established practice, the Authority undertook a comprehensive consultation process. The Authority issued a Consultation Paper No. 12/2006 dated 16th June 2006 on "Admissibility of Revenue share between Visiting Network and Terminating Network for Roaming Calls". All the stakeholders were requested to send their written comments on the issues raised in the consultation paper by 7th July 2006. The comments so received were put on TRAI's website and also deliberated upon with the Stakeholders in the Open House Discussion held at New Delhi on 17.07.2006.

3. In the Consultation Paper the main issue raised was that in case of roaming calls whether terminating network service provider should get a revenue share from the visiting network service provider or it should get only the termination charges as prescribed by the Regulator in the Regulation.

4. The majority of service providers did not favour the revenue sharing for the roaming calls between the visiting and terminating networks mainly on the ground that the termination charge is cost based and is determined on the principle of 'work done' even in case of roaming and that terminating network does not incur any

additional cost for handling the calls from the roaming subscribers. The Authority also recognises the principle of cost based termination charge, in the Regulation.

5. The Authority had prescribed ceiling tariffs for Regional / National roaming vide its TTO (18^{th} amendment) which has mainly three components viz. roaming airtime charges of Rs. 3.00 per minute + surcharge of 15% on Airtime component + PSTN Charges as applicable. Subsequently after implementation of IUC Regulation, Authority vide its letter dated 14^{th} May 2004 clarified that PSTN charges would mean the Interconnection Usage Charges (IUC) i.e. Carriage + Termination + Access Deficit Charge (ADC) for various distance slabs as provided in the IUC Regulation(Copy enclosed at **Annex- II**). From this also it is clear that same IUC would also be applicable for roaming calls as well and there would not be any additional component in IUC for roaming calls.

6. It is further mentioned that the termination charge of Rs. 0.30 per minute, specified by the Authority in the Regulation is cost based and is independent of the network from where the call is originating/terminating. Further, the termination charge is also independent of the tariff charged by the operators. In case the termination charge is allowed to be linked with the tariff, there is likelihood of this leading to distortion in the market and higher roaming tariff to the consumers. It may also be noted that the retail prices are a function of wholesale price and it is not vice versa.

7. The Authority does not agree that mutual negotiations can be overarching and compromise the termination charges laid down in the Regulation. Permitting mutual negotiations for revenue share in case of roaming calls is akin to permitting negotiations for higher termination charge for incoming international calls, which was not agreed to by Authority after detailed examination. The reasons for this position taken in the matter of termination charge for incoming international calls have been recorded in the Explanatory Memorandum of IUC Regulation dated 23-2-2006. Besides, it is also noted that permitting any additional amount to the terminating operator for roaming calls could increase arbitrage, which may encourage the grey market for national and international long distance calls.

8. In view of the Authority, allowing service providers to negotiate the revenue sharing, over and above the prescribed cost based termination charge may lead to abuse of market power by dominant operators. As termination is generally considered as a monopoly segment, in the absence of a regulator determined interconnection charges, operators with significant market powers have the potential distort the market through the mutual negotiation process.

9. The Authority is of the view that in case any additional amount over and above the presently specified termination charge, is permitted for roaming calls, the service providers will be required to segregate the calls made by the roaming subscribers, which will increase the cost to the service providers & in turn may be transferred to the consumers by way of higher tariffs. Further, any deviation from the cost-based IUC framework may lead to demand for a similar dispensation in respect of carriage charges by NLDOs as roaming calls also involve a carriage component. Therefore, the present system of uniform Interconnect Usage Charges for all calls (including roaming calls) being cost based, is just and would be in the interest of fair competition.

10. Authority has always given emphasis on elimination of arbitrage. In various IUC/ADC regimes, the ADC amount on incoming international calls has been gradually reduced due to various reasons including the removal of potential of arbitrage. Presently there is ADC @ Rs.1.60 per minute on incoming international calls which is planned to be depleted by 2008-09. Also, for national long distance calls there is no extra payment to any terminating operator, over and above the prescribed termination charges. If any revenue share in addition to termination charge is specified then this payment of revenue share could become a source of arbitrage and operators could have the tendency to bypass the payment of the revenue share by showing the calls from roaming subscribers as calls originated from non-roaming subscribers. Therefore allowing revenue share over and above the prescribed termination charge may provide an incentive for grey market which is not desirable.

11. In addition, the Authority is concerned about the high roaming tariffs offered by some service providers. The Authority may, in the near future consider issuing a consultation paper to review the present roaming tariff regime. The goal is to

achieve seamless national roaming without any extra burden on the consumers and prescribing any additional amount for terminating such calls may also defeat this objective.

12. In the Regulation, the Authority had considered all the aspects and did not specify a separate revenue share for roaming calls. Having considered the opinions of various stakeholders contained in their written submissions, the views expressed by them in the Open House Discussion and other relevant facts, the Authority remains of the view that there is no justification for a revenue sharing arrangement among operators in respect of roaming calls (National & International) and, therefore, no amendment in the Regulation is called for.

ANNEX-II

TELECOM REGULATORY AUTHORITY OF INDIA
A.2/14. SAFDARJUNG ENCLAVE, NEW DELHI.110029
E-mail: trai@del2.vsnl.net.in Fax: 91-11-26103294

No.310-7(28)/2004-Eco
Dated: 14th May 2004

To

All Mobile Service Operators / Unified Access Service Providers /
COAI / ABTO (As per list attached)

Subject: Outgoing and Incoming charges for Postpaid and Prepaid 'Domestic Inroamers in Circles and Metros

Sir,

The Authority has recently reviewed the roaming tariffs filed by various mobile operators with reference to the provisions of the Telecommunication Tariff (18th Amendment) Order, 1999 and The Telecommunication Interconnection Usage Charges Regulation (IUC), 2003. The 18th Amendment to TTO, inter-alia, prescribes ceiling tariffs for roaming viz; Airtime charge of Rs.3/- per minute + PSTN Charges as applicable + Surcharge @15% on Airtime component. The IUC Regulation, 2003 prescribes the Carnage, Termination and Access Deficit Charge per minute applicable for various calls.

2. The total roaming charges per minute shall not exceed the currently applicable ceiling of Rs. 3.45 (i.e. Rs.3/- + 15% surcharge) as provided in the 18th Amendment to TTO plus the IUC charges i.e. Carriage + Termination + ADC for various distance slabs as provided in the IUC Regulation. It is observed that the roaming tariff implemented by some operators for various distance slabs exceeds the above-prescribed limits. Any tariff which exceeds the above ceiling limits would be inconsistent with the provisions of TTO/ IUC Regulation.

3. In view of the above, all roaming tariffs that are not consistent with the prescribed ceilings as explained above shall stand Intervened. All service providers are hereby advised to immediately restructure their roaming tariffs accordingly. A compliance report along with the revised roaming tariffs may be furnished to the Authority latest by 20.05.2004.

Yours faithfully,
Sd/-
(Dr. Harsha Vardhana Singh)
Secretary-cum-Principal Advisor