

Bharti Airtel Ltd.

India & South Asia
Airtel Center, Plot No. 16,
Udyog Vihar, Phase - IV,
Gurugram - 122 015
Haryana, India

www.airtel.in
Call +91 124 4222222
Fax +91 124 4243252



TRAI/FY24-25/37
Dated: 06.09.2024

To,
Shri Amit Sharma
Advisor (Financial & Economic Analysis)
Telecom Regulatory Authority of India,
World Trade Centre
Nauroji Nagar, F Block
New Delhi – 110 029.

Subject: Response to Draft Telecommunication Tariff Order (70th Amendment) 2024

Dear Sir,

This is in reference to TRAI's Draft Telecommunication Tariff Order (70th Amendment) 2024 dated 23.08.2024

In this regard, please find enclosed our response for your kind consideration.

Thanking You,

Yours' Sincerely,
For **Bharti Airtel Limited**

A handwritten signature in blue ink, appearing to read 'Rahul Vatts', is written over a faint blue circular stamp.

Rahul Vatts
Chief Regulatory Officer

Encl: a.a

Executive Summary:

Airtel thanks the Authority for giving it the opportunity to comment on this important *Draft 70th Amendment to the Telecom Tariff Order (TTO) 1999*.

At the outset, Airtel would like to state that it received the draft TTO amendment with surprise since the particular issue on review has never before even been discussed with the TSPs. The Authority has also not shared the DoT reference letter on this matter.

This amendment, if enforced, will not only have unfortunate, unintended consequences in a competitive market where there is no market failure but also potentially upend the very basics of the regulatory structure by forcing TSPs to give rates of the FTTH connections (meant for end-users) for purposes of backhaul services. The draft TTO amendment is the incorrect remedy when it comes to the failing / diminishing interests of consumers with regard to public WiFi hotspots.

Another complexity in the draft TTO is that the proposal is ambiguous —is it seeking pricing interventions wherein the internet leased lines (ILL) are given to business entities like PDOs at the rates of retail FTTH connections for end-use at access level or is it seeking to mandatorily offer only the FTTH connections to PDOs? In either case, it will be antithetical to a policy that advocates forbearance when it comes to matters of tariffs.

The sections that follow elaborate on Airtel's assertions.

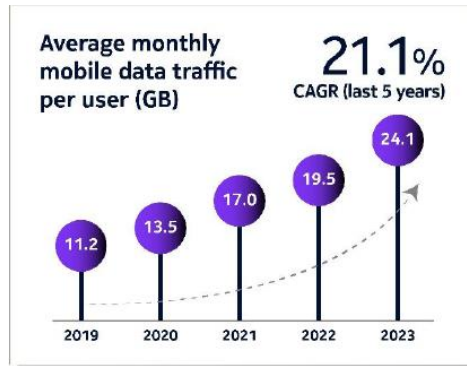
(A) Telco mobile networks are the natural customer choice today when it comes to data usage, not public WiFi.

Today, the massive and ubiquitously available telecom networks are the natural choice of subscribers when it comes to using mobile data. This is also the reason for the decline in consumer interest when it comes to the PDOs' WiFi services. Riding on the massive investments worth lakhs of crores of rupees, over 8 lakh telecom towers and millions of base transceiver stations ("BTS") have been installed. This network connects millions of devices and serves a population of a billion plus people, successfully. It does so through a mix of legacy and latest technologies and services across every nook and cranny of India (rural and urban both).

Mobile networks have successfully delivered when it comes to digital inclusion. They have bridged the digital as well as the urban-rural divide and teledensity, as a result, has increased by leaps and bounds. The government and TSPs together have also rolled-out USO sites in all the poorly connected and unconnected regions.

The overall population coverage today stands at close to 98%, and the Indian mobile subscriber's average data usage continues to grow at an unprecedented pace (as evident from chart that follows, excerpted from Nokia's annual report¹ on broadband).

¹ India Mobile Broadband Index 2024, Nokia



The hands-off approach employed by TRAI as part of its policy of forbearance when it comes to telecom tariffs has been fundamental to the growth and development of the sector while simultaneously encouraging healthy competition in the market.

All this together has led to a situation where public WiFi hotspots have been rendered useless. Customers find Telco mobile data easier and more convenient. The deployment of public WiFi hotspots under the PDO model is in itself insignificant².

If one were to bring in the historical context and compare situations with the Public Call Office (PCO) model of the past, we would find that when the mobile sector was opened for private participation, PCOs were prevalent in every nook and corner of the country, be it the smallest market, village, district, etc. The reason for this was that wireless coverage was well-nigh negligible and voice tariffs were extremely high.

However, over the years, as the rollout of telco networks grew, competition brought about massive reductions in voice tariffs and the death of distance in long distance calls. Indeed, the entire business model of the PCO lost relevance, and today it is almost non-existent.

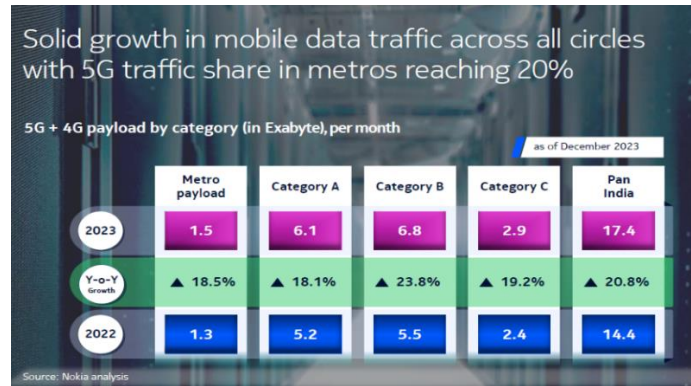
In Airtel's estimation, the same is happening to the public WiFi space in India which, despite its initial promise, has begun to lose relevance. In fact, it would not be out of place to mention that different state governments have also tried to expand the penetration of public WiFi from time to time but have been singularly unsuccessful. Ubiquitous availability of mobile data networks and the proliferation of affordable and high-speed mobile data plans have significantly reduced the need for public WiFi as most users find it more convenient and dependable to use their mobile data for internet access.

As per TRAI Data, a mobile subscriber's average data consumption has increased from 61.66 MB in 2014 to 19.30 GB per month³. Data tariffs have been rationalised and even 5G data is practically free over and above the data given as part of a pack. Additionally, TSPs are investing significantly in spectrum and network to ensure that they continue to meet the growing demand of data across India.

² Total WiFi hotspots under scheme as on 04.09.2024 is 2,46,680. Source: <https://pmwani.gov.in/wani>

³ TRAI's Indian Telecom Services Performance Indicators (QE Mar'14 and QE Mar'24)

And, with the intense price competition in the wireless access services market, **data revenue realisation has nosedived to Rs. ~9/GB today⁴**. The (4G+5G) of mobile data traffic growth has witnessed a rise across all categories of circles, as evident from the Nokia report⁵ (chart below):



(B) Public WiFi has failed to evolve as a relevant business model.

Another important reason for public WiFi hotspots losing out when it comes to consumer interest is that they have failed to evolve as a viable business model. Mobile technology, by contrast, has been highly successful with a natural progression in the generation of technologies like 2G, 3G, 4G, 5G and now 6G being talked about, offering ever faster and more reliable internet access. This has also led to the evolution of the business model itself and, in India, this has been further escalated because of the affordability and competitiveness of mobile tariffs resulting in customers not seeing much value in WiFi.

There are also other constraints and challenges that make consumers not use public WiFi as much. These include **quality and reliability issues** as public WiFi networks can suffer from slow speeds, limited coverage and frequent disconnections. More reliable and consistent mobile data services trump WiFi in this. **User preferences are increasingly shifting** towards personalised and **secure internet access**. Public WiFi, since it is a shared resource, is also often perceived as less secure as compared to personal mobile data connections – this does not align well with changing consumer preferences, leading to a decline in its relevance. Moreover, TSPs continuously make substantial investments to ensure their network services are secure, a fact appreciated greatly by consumers.

Therefore, a combination of all these factors (a pan-India ubiquitously penetrative mobile network, affordable and available mobile data, security and quality concerns associated with public WiFi and constantly changing user preferences) have led to the decline in interest and relevance of public WiFi.

⁴ Average revenue realization per subscriber per GB wireless data, as of 31st March 2024

⁵ India Mobile Broadband Index 2024, Nokia

(C) Demand generation by an end-user/access subscriber is fundamental to the proliferation of a technology and PDOs' public WiFi has failed to generate that, as seen from TRAI data.

It must be noted that **when consumer demand is met by a particular technology, that particular technology flourishes**. This happened during the Covid-19 period when a sudden need for FTTH arose and kept on growing. **Similarly, it is important to ask of ourselves whether there is a demand for public WiFi today**. And, in answer, reflect on the significance of the fact that when mobile data users are in a WiFi zone, they do not necessarily even switch to public WiFi because the mobile data pack and data benefits opted for by subscribers easily satisfy all their needs.

PCOs became obsolete when devices became affordable, mobility came in and voice tariffs came down because user demand itself dwindled. Do we therefore require regulatory intervention today as the demand for PDOs' WiFi services similarly dwindles?

While the thought process behind the TRAI proposal of the draft TTO is seemingly to make the services economical from the point of view of PDOs offering such services, **the data shared by TRAI in its explanatory memorandum of instant CP paints a different picture**.

As per the draft TTO amendment⁶, the daily data usage under the said scheme has significantly fallen from 1GB to some MBs at present. This, in Airtel's view, is surprising, given that the consumer tariffs offered by PDOs offering public WiFi hotspots are said to be equally or more competitive than the ones offered by the TSPs to mobile subscribers. **At the same time, the average data consumption of a mobile user has increased from 61.66 MB in 2014 to 19.30 GB per month⁷ today**. In fact, in the last four years alone (2020 vs 2024) it has increased by 64% from 11.76 GB⁸.

This highlights the startling fact that while mobile subscribers are increasingly using the TSP network, in the case of public WiFi hotspots of PDOs, data is falling even at the backhaul level. This means that the usage at the PDO access level would be dropping even faster.

In other words, today, telecom subscribers are able to enjoy their most-needed services at price points that serve their requirements using the ubiquitous mobile services and hence do not see much value in the standalone public WiFi services.

So, when public WiFi no longer seems to be a usage option for most customers, the pricing of mobiles is competitively low and mobile data allowance more than serves customer need, where is the need to intervene in the market?

This brings us to a larger economic regulatory question: Will the proposed draft TTO not intervene (indirectly) in the (commercial) wholesale market by using a tool of the retail market?

⁶ Para 11 of explanatory memorandum of the instant draft TTO

⁷ TRAI's Indian Telecom Services Performance Indicators (QE Mar'14 and QE Mar'24)

⁸ Average wireless data usage per data subscriber per month, as on 31st December 2020, TRAI

(D) The draft TTO risks upending the basic regulatory structure of the competitive telecom market.

It is Airtel's submission that instead of improving matters, the Draft TTO amendment will upend the basic regulatory structure of the telecom market. In India, the regulated regime for the telecoms sector has been structured to facilitate the Mobile Network operator (MNO)/TSP selling its services directly either to customers (and end-users) or to VNOs (reseller). However, to promote public WiFi services, the government has created an exception wherein a PDO is able to sell telecom services without a telecom license/authorisation under Section 4 of the Indian Telegraph Act.

The PDO is not liable to meet any security or compliance requirements including regulatory fees. Today, the PDO is taking the internet leased line (ILL) from a TSP/ISP and selling telecom services like a normal ISP holding different categories of the ISP License.

As per the scheme website⁹, a *"Public Data Office will establish, maintain, and operate PM-WANI compliant Wi-Fi Hotspots and provide last-mile connectivity to deliver Broadband services to subscribers by procuring internet bandwidth from telecom service providers and/ or internet service providers."* [Emphasis added]

Considering this, it would be quite ironic if a further intervention were to be made by asking a TSP to offer the same rate/service as offered to a retail/end user for their captive consumption to the competing public WiFi operator (PDO) for using the same infrastructure.

Further, **the proposed draft amendment is at variance with the intent of the TRAI Act under which the regulator is required to *protect the interests of service providers* and consumers of the telecom sector and *ensure orderly growth of the sector*.**

(E) Services for commercial resellers like PDOs and retail FTTH services for end-use subscribers are not interchangeable, and interventions should not impinge upon tariff forbearance.

There is also a fundamental disconnect in the draft TTO since there is a big difference between an FTTH connection that is provided to home customers or and end/captive-users for their personal use and the rate of the same FTTH connection being given to the PDO for purposes of backhaul services which can then be further used to resell commercial internet. **Clearly the wholesale/backhaul services in the nature of business to business (B2B) between TSPs and PDOs and the FTTH services for retail end-user services between a TSP and a consumer are not interchangeable. Pricing / Tariffs for both the services are also set differently.**

The leased line backhaul services typically involve dedicated data lines that connect PDOs to the core network or internet to manage aggregated data traffic from multiple endpoints. They ensure that PDOs can efficiently route and manage the data traffic within their networks.

⁹ <https://pmwani.gov.in/wani>

Importantly, these are dedicated public connectivity for business entities which, backed by service level agreements (SLAs) and help businesses, connect to the external world.

FTTH services, meanwhile, provide fiber optic connections directly to individual homes or businesses as end-user (access) services. It is a shared connection that offers high speed internet at a price that is affordable for the marginal subscriber, and the FTTH network is designed using contention ratios that incorporate the usage patterns of retail / access subscribers.

However, reselling business entities like PDOs serving multiple end-users/subscribers are relatively heavier users of bandwidth than an individual subscriber, and therefore their usage patterns are different and have a different impact on network resources.

There is, therefore, no justification to offer FTTH connections for commercial backhaul purposes (which will then be used for further resale as telecom internet services) at the same pricing as homes where pricing works on an average usage model, or to mandate offerings on FTTH connections for a B2B segment of PDOs.

PDOs, just like other business entities, approach TSPs for the provision of various services including leased lines and/or FTTH offerings and TSPs can, in no way, segregate the purposes of seeking different services by customer. Hence, to infer that the reduction in data consumption is due to affordability issues is unfounded.

Even in other sectors such as utilities (gas, electricity), the government has recognised the differential and higher pricing for commercial purposes as compared to home usage. In fact, the TRAI in the past used to have differential and higher commercial rates for broadcasting services for commercial activities compared to home DTH customers.

It is, therefore, pivotal to distinguish between these two services as they cater to different needs and are optimised for different types of usage. **Using them interchangeably and applying regulatory price interventions in an interchanged scenario could create inefficiencies and potentially impact the quality of service for both PDOs and end users, while also causing regulatory distortion.**

(F) The usage of PDOs' retail WiFi hotspots is falling even after their offer of competitive plans.

As per the PDO FAQs¹⁰, the indicative price plan of a PDO can be a daily plan or a monthly plan, that may range between Rs.5/- and Rs.10/-, and Rs. 100/- and Rs.200/-, respectively. Now, if despite these already competitive retail price points offered by PDOs to consumers, the usage is still dropping, Airtel sees no reason for a retail price intervention being made in the B2B relationship of a TSP and PDO where there is no market failure.

¹⁰ The PDO Booklet titled "How to become a Public Data Office (PDO)," available at <https://pmwani.gov.in/wani>

Conclusion & Recommendations:

Airtel firmly believes that the current TRAI approach on forbearance is the correct path to follow. It allows TSPs the flexibility to offer varied products to their customers whether commercial or retail. Even in the cases of VNOs (as resellers) and NSO matters, the TRAI/ DoT have left commercial arrangements at mutual negotiations. This scenario of a PDO-TSP relationship is no different.

Airtel urges that the Regulator recognise the enormity of investments (being) made by TSPs to create the massive telecom infrastructure that helps them operate efficiently and economically at huge risk to themselves and allow them the necessary freedom to decide how they will sell their services, i.e., the same internet services which a public WiFi operator (PDO) is also reselling as competition.

In view of these facts, the decision to offer a rate as well service for wholesale / B2B services should be left to market forces and the draft 70th amendment to the TTO should be dropped.