

17 January 2020

Dr. R.S. Sharma
The Chairman,
Telecom Regulatory Authority of India (TRAI)

Cc. Sh. Amit Sharma
Advisor (Finance & Economic Analysis)
Telecom Regulatory Authority of India (TRAI)

Dear Honorable Chairman,

Subject: Comments on the Consultation Paper on Tariff Issues of Telecom Services

On behalf of the **Asia Internet Coalition (AIC) and its members**, I am writing to express our sincere gratitude to the Telecom Regulatory Authority of India (TRAI) for the opportunity to submit comments on the [Consultation Paper on Tariff Issues of Telecom Services](#). The AIC is an industry association comprised of leading internet and technology companies. AIC seeks to promote the understanding and resolution of Internet and ICT policy issues in the Asia region. Our members include Airbnb, Amazon, Apple, Expedia Group, Facebook, Google, LinkedIn, LINE, Rakuten, Twitter and Yahoo (Verizon).

We seek to represent the internet industry and participate and promote stakeholder dialogue between the public and private sectors, sharing best practices and ideas on communications technology and the digital economy. In keeping with our objective of supporting public policy and regulatory frameworks that facilitate the development of national digital industry, we would like to present to the Telecom Regulatory Authority of India (**Authority**) our observations on Consultation Paper on Tariff Issues of Telecom Services (**Paper**) and thank the Authority for allowing us to share the same.

As such, please find appended to this letter detailed comments, which we would like to respectfully request that TRAI consider. We also commend TRAI for upholding a transparent and multi-stakeholder approach.

Should you have any questions or need clarification on any of the comments, please do not hesitate to contact our Secretariat Mr. Sarthak Luthra at Secretariat@aicasia.org or at +65 8739 1490. Thank you for your time and consideration. We would also be happy to offer our inputs and insights directly through meetings and discussions with the relevant authorities.

Sincerely,



Jeff Paine
Managing Director,
Asia Internet Coalition
<https://aicasia.org>

Detailed Comments on the Questions

S. No.	Question	Response
1.	Do you foresee any requirement of regulatory intervention at this stage in tariff fixation to protect the interest of telecom service providers as well as the consumers? Please support your comments with justification.	<p>We do not believe that there needs to be any regulatory intervention for tariff fixation due to the following reasons:</p> <ul style="list-style-type: none"> (a) The ability of telecom service providers (TSPs) to innovate will be severely impacted, who otherwise provide services according to prevailing market conditions and consumer demands under the current policy of forbearance; (b) TSPs will further lose flexibility to provide low cost plans thereby limiting consumers’ access to their services; (c) State prescribed tariffs will therefore make services offered by TSPs unaffordable for low-income and rural groups; and (d) Having a floor price will distort competition in the market by rewarding inefficient players and minimizing incentive amongst the TSPs to innovate. Consumers too will be deprived of newer and economical services.
2.	Do you foresee any need for change in TRAI policy of forbearance in tariffs? Please give reasons for your response	<p>No, we do not recommend a shift from the policy of forbearance for the following reasons:</p> <ul style="list-style-type: none"> (a) As discussed above, fixation of prices can act as an impediment to TSPs providing novel and consumer friendly services and have an overall adverse impact on competition; (b) Having regulatory intervention for fixing prices will distort competition by creating inefficiencies without sustainably improving the financial health of TSPs. This will lead to the need for further price regulation, thereby creating a vicious cycle of sustained involvement of the regulator; and (c) Presently, there is no absence of regulation, but mere ‘light touch regulation’ which allows the Authority to monitor the activities of TSPs and protect the interests of all stakeholders as and when needed through appropriate measures. Additional regulation by fixing prices has no further advantage.
3.	If the answer to Q1 is in affirmative, is fixing a floor price, i.e. a standing prohibition on TSPs not to offer services below a predetermined price level, the answer? Please give detailed reasons for your response.	Not applicable.

S. No.	Question	Response
4.	Do you perceive a need to fix floor price despite the fact that the TSPs have increased their tariff recently? Please support your response with detailed justification.	No, there is no need to fix a floor price due to the following reasons: (a) It will result in an increase in the cost of services being offered by TSPs and be harmful for the consumers who will be deprived of low-cost and affordable services; and (b) Studies in other economies such as the EU have demonstrated that minimum floor prices have a negative effect on the market.
5.	(a) What methodology should be used to fix floor price by the Authority and why? Please give detailed methodology with calculations and supporting justification. (b) If a floor price is considered, what should be the mark up over the relevant costs for arriving at a floor price? Please give detailed calculations and justification for your response.	(a) There is no sound methodology for fixing floor price. The idea of a minimum price is itself arbitrary and harmful for both the consumers and the market. (b) The credibility of methods such as ‘cost plus regulation’ and ‘resale before cost’ is suspect.
6.	Considering that cost of delivery of telecom services is likely to be different for different TSPs, what parameters should be considered to decide floor price and why? How can it be ensured that such a floor price fixation exercise does not result in windfall profits to few TSPs? Please give your response with detailed reasoning.	As discussed above, fixing the floor price is not desirable, and in our view it is hard to arrive at any parameters or methods for the same.
7.	Is there a need to fix floor price for mobile data service? If yes, can such floor price be applied uniformly to different categories of subscribers such as retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one? If it cannot be applied uniformly, will it not result in discrimination between various categories of subscribers? Please give your answer with detailed reasons and justification.	No, there is no need to fix floor price for mobile data services because: (a) This will make mobile data services unaffordable for a huge section of the Indian population and deprive them of cheap data; and (b) There is no rationale or advantage of having a separate floor price for mobile data when this is offered along with voice and data services in composite plans.
8.	What should be the basis and methodology for floor tariff	Please refer to response to question 5(a) above.

S. No.	Question	Response
	fixation for mobile data service? Give detailed justification and calculations for your response.	
9.	What should be the representative cost for fixing a floor price for mobile data service? Give detailed calculations and justification for your response.	As discussed, there is no sound methodology for fixing a floor price for any telecom services, including mobile data service.
10.	Should fixation of floor price be considered for voice calls also? Please give your comments with detailed justification.	We do not recommend floor prices for voice calls either. The Paper notes that these are essentially data services and that TSPs themselves have not requested this.
11.	If the answer to Q10 is affirmative, given that different technologies are being used to provide voice services (2G, 3G and 4G), what should be the methodology used to arrive at a floor price for voice services? Please give detailed calculations and justification for your response.	Please refer to our response to question 10.
12.	Should there be any limit on TSPs to offer free offnet calls? Please explain your response with justification.	No, there should not be any limit on this, since it may have the effect of penalizing consumers for paying disproportionately for other services.
13.	If your answer to Q12 is affirmative, how should unlimited voice calls be defined? Please give your comments with detailed justification.	Please refer to our response to question 12.
14.	If a floor price is considered, should there be any floor price prescribed for bundled offers, including those having unlimited voice calls and data? Please give your comments with methodology and detailed justification.	No, there should not be a floor price for bundled services. Voice and data services are provided as a part of composite plans and are tailored according to consumer requirements. Fixation of tariff for these will negatively affect the flexibility of TSPs to devise such plans and will in turn prevent consumers from availing a variety of affordable services.
15.	If a floor price is considered, should there be a price ceiling also to safeguard consumer interest? Please give your comments with detailed justification.	We believe that a price ceiling will not help safeguard consumer interests due to the following reasons: (a) A price ceiling will act as an entry barrier to new players from entering the TSP market space; (b) It will discourage TSPs from innovating and providing newer services to consumers; and (c) Thus, the highly competitive market of TSPs will be distorted and affect the availability, quality and affordability of services.
16.	If your answer to Q15 is in affirmative, what should be the	There is no existing methodology that can suitably fix the floor price for such a wide variety of services.

S. No.	Question	Response
	methodology used for fixing a price ceiling for mobile data service, voice services and bundled offers. Please give detailed calculations and justification for your response.	
17.	Should all the tariff plans (retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one) offered by the TSPs be subject to floor price tariff orders? Please give detailed justifications for your answer.	We recommend that floor price tariff orders should not apply to any tariff plans.
18.	How can it be ensured that all the tariff plans of TSPs (retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one), comply with the floor tariff orders? Please give you response with detailed justification.	Please refer to our response to question 17 above.
19.	Any other relevant issue that you would like to highlight in relation to the above issues?	On order to safeguard the interests of TSPs, the Authority should consider methods for reducing the costs of regulatory compliance for the market players. This will be a better way of helping them reduce operational costs rather than fixation of floor prices which have negative effects for the market and consumers.

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