
[WARNING: This Mail may be Spoofed] Submission of BIF Response to TRAI Consultation Paper on Tariff Issues of Telecom Services

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Sat, Feb 22, 2020
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 2 attachments

Subject : [WARNING: This Mail may be Spoofed]
Submission of BIF Response to TRAI
Consultation Paper on Tariff Issues of
Telecom Services

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Subject:Submission of BIF Response to TRAI CP on Tariff Issues of Telecom Services

Dear Sir,

In response to the inputs invited from various stakeholders on the TRAI **Consultation Paper regarding Tariff Issues of Telecom Services**, please find enclosed our submission both in Word and PDF Format for your kind perusal and consideration.

We are hopeful that the relevance of the vital points shared by us shall be deliberated upon in detail, while finalising your recommendations regarding this critical issue for the industry, as well as for the consumers.

Sincere regards,



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2 Attachments

 **Final BIF Submission on Floor Pricing_22022020.pdf**
386 KB

 **BIF Response to TRAI CP on Floor Prices_Final_21.02.2020.docx**
292 KB

BIF SUBMISSION TO TRAI CONSULTATION PAPER ON TARIFF ISSUES OF TELECOM SERVICES

At the outset, we wish to compliment TRAI for bringing out this important Consultation Paper on Tariff Issues of Telecom Services (“CP”), especially in the current context, when the entire telecom industry in the country is in a serious financial condition.

In this regard, please find below our response on the following questions for your kind perusal and consideration:

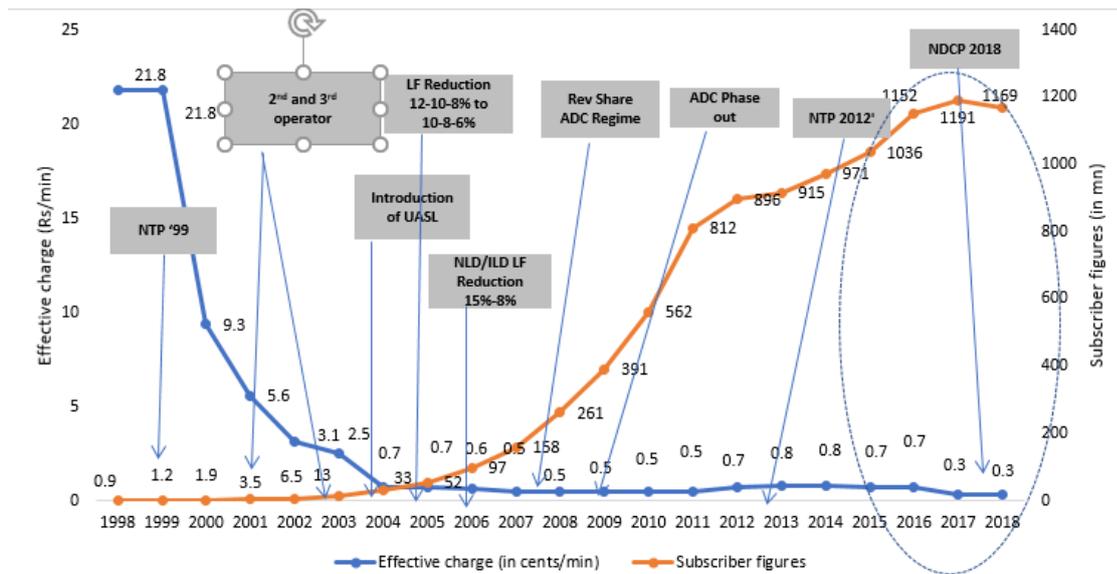
Q1. Do you foresee any requirement of regulatory intervention at this stage in tariff fixation to protect the interest of telecom service providers as well as the consumers? Please support your comments with justification.

Q2. Do you foresee any need for change in TRAI policy of forbearance in tariffs? Please give reasons for your response.

Q3. 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.

BIF response to Questions 1, 2 and 3:

Broadband India Forum (BIF) has always supported the well-established regulatory principle that in the presence of adequate and healthy competition in the market, regulatory forbearance is the ideal practice and produces optimal results. It is in fact, the availability of adequate competition, that has led the Indian Telecom sector to its present state. The graph below represents the journey of the Indian Telecom sector, largely due to the landmark policy and regulatory measures it underwent:

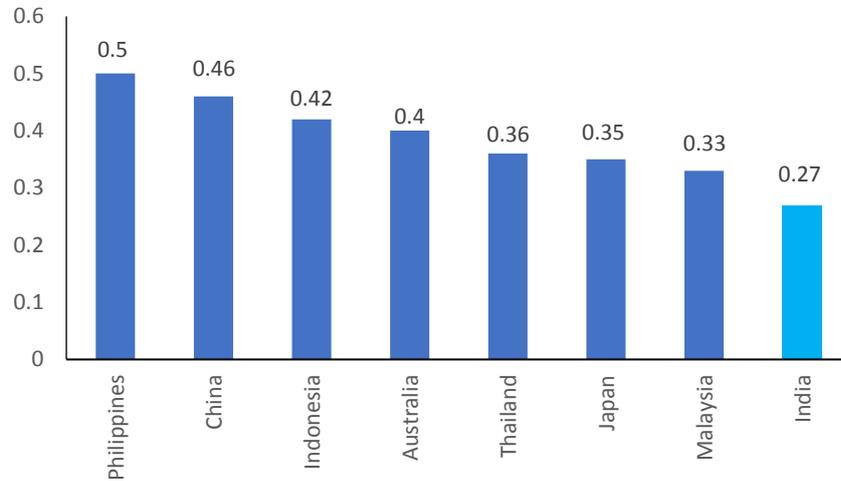


It is noteworthy how the telecom tariffs, which were as high as INR 21.8/per minute, came down to about INR 4.99/per minute, post the implementation of the breakthrough NTP 99 policy and the introduction of Calling Party Pays (CPP) thereafter. Since then, a multitude of service providers entered the market, bringing down the tariffs further and offering numerous choices to the consumers. The tariff rates in India have continued to decline, becoming one of the, if not, the cheapest rate in the world. This was owing to the factor that there was more than adequate competition available, and hence **the application of regulatory forbearance, led the market to extract the optimum potential of the sector.**

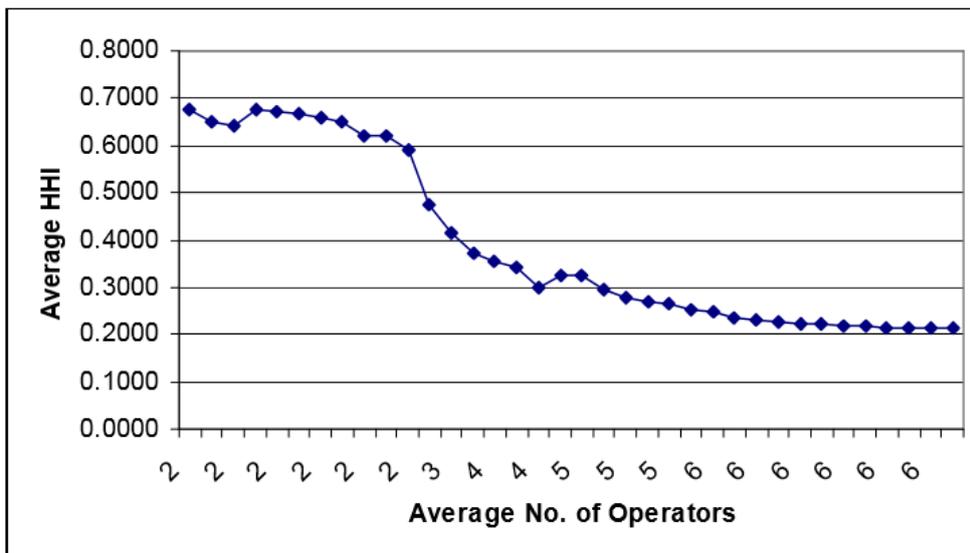
Since 2016, further strides have been made in facilitating affordability of data services to the customers, especially with the introduction of 4G services, and the entry of a new telecom player launching 4G technology under the forbearance regime in the market, leading to significant reduction of tariffs all over. The resultant boom in data services and their phenomenal uptake led to broadband penetration in the country leaping from an abysmally low global position to a respectable one presently. From languishing at around the 100th position in mobile data consumption in 2016, in just 3 years, we have achieved numero uno position in data usage globally.

However, the pendulum has probably swung to one extremity, and reached an unsustainable situation. The precarious financial state of the sector and the reduced financial viability has led to questions being raised over the continuation of 1-2 major operators. If the present financial scenario is not addressed, the sector could face the **possibility of turning into a duopoly, which would not be in the interest of the government, the consumers, or even the industry.**

Herfindahl–Hirschman Index (HHI)



Source: Merrill Lynch Global Research Sep-2015



Source: Report on "Allocation of Access (GSM/ CDMA) Spectrum and Pricing" by DoT, May 2009

It has been established by the Herfindahl–Hirschman Index (HHI) that **in the Indian scenario, presence of 4-5 operators is needed to ensure adequate competition to harness the optimum benefits** from the sector. As depicted in the above figure, the rate of increase of competitiveness of the market levels off after 4-5 operators. Social welfare may be maximized only when **the right number of operators offer services at efficient scales of operation**. Hence, **the possible reduction of the competition to**

two players might impact the sustainable benefits to the Indian consumers as they may not be able to continue enjoying affordable digital communications services.

In this situation, the recent demand for enormous “pending” AGR dues has further precipitated the crisis, and the relevance of this Consultation as well.

The need of the hour, is to **safeguard the financial recovery of the telecom operators, to continue the pursuit of the national objectives of Digital India and Broadband for All, and ensure that the immense benefits to the consumers and the socio-economic growth of the country continue.**

The deteriorating financial health of telcos also adversely impacts the allied verticals such as equipment and infrastructure providers, leading to a downward spiral in the overall communications and ICT industry. Further, tariff forbearance thrives in a market with healthy competition, and the absence of the same under the present circumstances in the Indian scenario, necessitates regulatory intervention. Under this exceptional circumstance, and in order to save the telecom sector in the country from a financial collapse, we may have to adopt a measure where the ends justify the means, and thus **tariff forbearance may be temporarily shelved to aid the sector’s recovery.**

Due to this unique situation that has arisen, we are required to consider the fact that **fixation of floor prices may be essential as an interim measure to address the ongoing crisis** and restore the financial health of the sector. Introducing floor prices could help **ensure a reasonable ARPU for the TSPs**, which at its present level of INR 74.38 is not a sustainable one.

BIF therefore **recommends that floor pricing for telecom tariffs be introduced. However, it should be assessed and reviewed periodically by the Authority**, so as to ascertain its effectiveness and prolonged requirement over a period of time. Once the market stabilises and the **industry is able to recover, forbearance may be reintroduced** by the Authority.