

Comments and views on Consultation Paper No. 22/2019  
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MEMBER

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

Ans. The definition of tariff given in the TTO refers to the rates and related conditions at which telecommunication services are offered. The Authority has moved, over the years, from fixation of tariffs to 'Forbearance with prior Approval stage' and finally to a 'Forbearance regime with post-facto reporting obligation' with regulatory oversight<sup>7</sup>. Currently, except for the ceiling tariffs for national roaming, fixed rural telephony, international private leased circuits, domestic leased circuits and mobile number portability charges, tariffs for all other telecommunication service are under forbearance. In accordance with the policy of 'light-touch regulation' being followed, the tariff framework gives the TSPs, which include Internet Service Providers, the freedom to design the tariffs according to the prevailing market conditions. This has resulted in emergence of new and innovative products in the market that are designed to provide telecom services at affordable and competitive to all.

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

Ans. The policy of forbearance in telecom tariffs was again reviewed by the Authority in the year 2017 when a few operators were of the view that there should be some form of floor price in the tariff so that the possibility of predatory pricing could be avoided. The Authority had a meeting with the Telecom Service Providers to exclusively discuss the issue of floor price and whether Interconnection Usage Charges (IUC) could be the floor for retail tariffs.

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.

Ans Globally, the trend towards convergence of services like triple-play offerings (video, voice and data) has resulted in shifts in pricing strategies of service providers<sup>15</sup>, in particular, the growing prevalence of bundled tariffs<sup>16</sup>. Initially, telecom services predominantly meant delivery of voice or SMS through telecom network. In the recent past, even in India, offer of bundled services –voice, data, SMS and content–have become the main feature of tariff offerings by the TSPs

Q4. 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.

Ans Traditionally, the Indian telecom sector has been voice driven. However, over the past couple of years, the Indian telecom industry has been going through a paradigm shift from a voice-centric market to a data-centric market. The shift can be attributed to technological transformation from 2G to 4G network coupled with changing preference & demand pattern.

Q5.(a). What methodology should be used to fix floor price by the Authority and why? Please give detailed methodology with calculations and supporting justification. Q5(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.

Ans It has been reported that the industry is weighed down by high debt levels and the continuous capital requirement is further expected to increase the debt levels. As per the sectoral credit deployment report of the Reserve Bank of India, the exposure of the telecom industry to credit extended by scheduled commercial banks in India is about Rs. One lakh and Fifteen thousand crore as of September 2019.

Q6: 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.

Ans It has been argued by some that while there has been a significant growth in subscriber numbers and data usage, the revenue of the sector has not grown proportionately, as indicated by the adjusted gross revenue(AGR) reported by the industry over the years shown.

Q7. 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.

Ans Economists have consistently and successfully demonstrated the distortions in the market, especially in pricing that could result from the Government or Regulatory intervention.

Q8. What should be the basis and methodology for floor tariff fixation for mobile data service? Give detailed justification and calculations for your response.

Ans In the past few months there have been many reports and articles in print media, advocating for fixation of a floor for telecom tariffs. There have also been reports and articles arguing against any intervention by the regulator in this regard. Since these reports are readily available in public domain, they are not being specifically cited.

Q9. What should be the representative cost for fixing a floor price for mobile data service? Give detailed calculations and justification for your response.

Ans Department of Telecommunications has forwarded representations received by it from the telecom service providers regarding various issues, inter alia including demand from some of the TSPs seeking floor tariff fixation by the regulator/Government.

Q10. Should fixation of floor price be considered for voice calls also?

Please give your comments with detailed justification.

Ans The representation further submits that "All the current telecom service providers in the private sector namely Bharti Airtel Limited, Reliance Jio and Vodafone Idea Limited are in complete agreement that TRAI be requested to regulate tariffs by setting floor price for data services

Q11. 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.

Ans Voice service is delivered by different TSPs networks using different technologies. While it uses independent resource in 2G and 3G networks, it is a service using data packets in 4G networks. It is, in effect, a by-product (Voice over LTE) of data services in a 4G network. Therefore, regulating the data tariff in turn regulates the voice tariff, at least on a 4G network. As such, it does not seem logical, on part of COAI, to request the Authority to regulate data tariffs by prescribing floor price while keeping voice services under forbearance