Bharti Airtel Limited's Response to "The Draft Telecommunication Tariff (Sixtieth Amendment) Order, 2015 dated 27.02.2015

The "One nation free roaming" objective enshrined in the National Telecom Policy of 2012 has already been achieved vide the tariff order of 2013, where Telecom Service Providers (TSPs) have been mandated to offer a roaming tariff pack identical to the home tariff pack (including free incoming while on roaming) in lieu of fixed charges (as TRAI rejected the possibility of uniform rate for home and roaming due to its potential negative consequences). **Any intervention leading to the regulation of roaming tariffs, to levels equal to or lower than home tariffs, is tantamount to a regulation of home tariffs. We believe that such tariff controls are neither a requirement of the National Telecom Policy nor the intent of TRAI.**

The prevailing tariff forbearance regime has led to a considerable transformation in the Indian telecommunications market. With around 970 million telephone connections, India is the second-largest telecom market in the world and with an HHI of 0.176[1], it is also recognized as amongst the most competitive and the least concentrated market.

Further India has 7-13 TSPs across service areas and is already hyper competitive. Retail prices are already amongst the lowest in the world. Additionally, with fully functional Mobile Number Portability (MNP) in place all TSPs are already providing the best and most competitive services to their customers in each segment.

The recent draft telecommunications tariff order (TTO) released by TRAI on February 27th, 2015 seeks to implement a significant change in the prevailing tariff forbearance policy followed by TRAI. Forbearance has helped the industry grow to its current state. The forbearance regime implemented by TRAI in September 2002 allowed TSPs the business flexibility that is crucial for attracting investors, and for bringing affordable and innovative services to consumers. This draft TTO is a step backwards, and exposes the industry to pre-reform regime of price regulation. During the last 13 years, the **Industry has consistently increased its investments which can largely be attributed to the freedom to price their retail services. Denying TSPs this flexibility will prevent them from carrying out their business independently and will thereby adversely impact their business model and their ability to attract future investments.**

The 'Calling Party Pays (CPP)' regime has been equally responsible for the exponential growth of the market. Under this regime, an originating network is required to pay for carriage and termination of a call. It is allowed to retain the balance towards the expenses of originating the call from the amount collected from its subscribers (via retail tariffs). Origination charges are not specified and are kept under forbearance which has provided TSPs with the pricing flexibility required to recover costs, which could not have been recovered due to 'below-cost' termination

[1] BofA Merrill Lynch Global Research estimates (Q 3, 2013)

charges. Over a period of time, the two policy instruments i.e. ‘tariff forbearance’ and ‘CPP regime with origination charge under forbearance’ has allowed the industry to achieve requisite scale and be classified amongst the most affordable in the world. However, the proposal in the draft TTO seeks to overturn this regime, which is certainly against the interest of the industry.

Unintended consequences of reduction in ceiling tariffs for national roaming:

Firstly, Forbearance of origination charges was one of the means available to TSPs to recover costs and deficits on account of ‘below-cost’ termination charges. Any regulation of origination charges limits the TSPs’ ability to recover the full costs.

Secondly, the draft TTO, where the ceilings have been set lower than home tariffs, will result in effectively regulating home tariffs under the garb of a roaming tariff ceiling.

Since operators have a limited control over their costs, any regulation of their tariffs and hence revenues will result in situations where operators have no control over their business.

Future growth in the Indian telecom sector requires serious, consistent and long-term investments in the creation of state of the art telecommunications networks, and will rest on the application of a fair and balanced regulatory framework. This is absolutely essential for achieving the national goals of a ‘Digital India’ powered by ‘Broadband Highways’. However, the draft TTO will impede growth by dis-incentivizing future investments.

Regulation plays a critical role in the governance of capital-intensive sectors such as telecommunications. It has a long lasting impact on the financial choices available to an organization and is generally considered to be a driver of investment that can create both incentives **and disincentives** to pursue future growth[2]. The accepted approach to the regulation of telecommunications markets throughout the world is to refrain from imposing regulations unless there is clear evidence that the market is not effectively competitive.

The International Telecommunications Union (ITU) and the World Bank: Telecommunications Regulation Handbook[3] notes that:

> *... **liberalization and fostering competition are the best means to ensure efficient** and high quality services at low costs, and thus, are key regulatory objectives. This once radical message has become mainstream around the world.*

[2] Alesina, A., Ardagna, S., Nicoletti, G. & Schiantarelli, F., 2003. *Regulation and Investment,* s.l.: OECD Publishing.

[3] World Bank, InfoDev & International Telecommunications Union, Telecommunications Regulation Handbook, 10th anniversary edition, 2011, available at www.infodev.org/en/Document.1057.pdf.

> *... regulation can have unintended consequences which may be detrimental to consumers and the public interest. No matter how capable and well intentioned regulators are, they will never be able to produce outcomes as **efficient as a well functioning market**.*
>
> *Accordingly, regulation should only focus on those parts of the ICT sector where there is a **clear need for regulation** (that is, where effective competition is not feasible) and should only be a temporary measure.*

The European Commission in relation to the regulation of telecommunications markets[4], states:

> *NRAs will intervene to impose obligations on undertakings **only where the markets are considered not to be effectively competitive** as a result of such undertakings being in a position equivalent to dominance within the meaning of Article 82 of the EC Treaty.*

The Indian mobile telecom market is effectively competitive and requires the continuation of forbearance regime or more favorably, the market may be more formally deregulated. This is fully consistent with the fact that virtually no other country in the world regulates mobile retail rates. Therefore, we believe that there is no need for any intervention in roaming tariffs. Since such intervention would lead to the indirect regulation of home tariffs, we propose that the amendments in the draft TTO should be dropped.

Notwithstanding and without prejudice to our comments above, we submit our views on the content of the draft TTO:

[4] European Commission, Commission Guidelines on Market Analysis and the Assessment of Significant Market Power under the Community Regulatory Framework for Electronic Communications Networks and Services, 2002/C 165/03.

1. **THE DRAFT TTO OVERTURNS THE EXISTING IUC AND CPP REGIME BY PRESCRIBING ORIGINATION CHARGE**

   a. The current IUC regime rests on the premise of CPP along with Calling Party Network Pays (CPNP), where all charges from the customer are collected solely by the originating TSP, and then distributed between TSPs. It was the conscious decision of TRAI to keep the origination charge under forbearance, as reflected below:

      - 5.3.23 of the Explanatory Memorandum, IUC Regulation 2009 states as:

        '……….. Service providers are <u>free to recover</u> their CAPEX from the rental and <u>the Origination charges</u> that is under forbearance………..'

      - Submission made by TRAI as referred to in Hon'ble TDSAT Judgment dated 29th September 2012 reads as under:

        ''………CAPEX should be recovered from other streams of revenue like rental, origination charge, administrative, VAS and other charges which are under forbearance. The OPEX must be recovered from MTC in the case of mobile termination, In other words, operational costs which are relatable to the actual usage of the network of the other service provider for MTC, FTC etc.(airtime)……..''

      - Clause 1.2.5 sub clause (iv) of CP No. 17/2008 and a corresponding clause D sub clause 2.11 of CP no. 4/2011:

        "Origination Charges

        The Authority has decided that the originating network must pay from the tariffs the carriage and termination charge for the calls and retain the residual towards the expenses of originating the call. The origination charge was therefore not specified. As the other components of the calls, carriage and termination were fixed, <u>keeping the origination under forbearance has provided flexibility in tariff and also ensured that access networks do not pass on the burden of their own tariff decisions to other networks involved in completing the call."</u>

- Clause F sub clause 3.43 of CP no. 4/2011:

  "F- Origination Charge

  3.43 At present, origination charge is under forbearance. Forbearance in origination charges allows operators to roll out innovative tariff plans. Prescribing origination charge along with all other components of IUC would amount to fixation of retail tariffs and would take away the flexibility currently available with service providers to offer different call charges to attract diverse segments of subscribers. During pre-consultation, service providers also submitted that since market forces are working well, there is no need for regulating origination charges. Internationally, the trend is for keeping origination charges under forbearance wherever tariff is also under forbearance."

b. As rightly recognized by TRAI at various occasions, forbearance in origination charges was intended to provide flexibility to TSPs to charge differential rates for different customer segments.

c. However, despite strong protests by the Industry, in August 2014, TRAI for the first time, disregarded its own IUC regime and prescribed 'origination charges' for International Calling Card Services. Such an act was an indirect modification of the IUC regime, and precarious for TSPs who are already under severe pressure due to 'below cost' termination charge. The prescription of origination charges and its overall impact on tariff flexibility was raised by TSPs. However, the same was disregarded by TRAI on the basis that TRAI was "*not disturbing the origination charges*" as the same will "*still be under forbearance*." and it "*is only prescribing the access charges which an ILDO will pay ASP for allowing its customers to access the ILDO's network using calling cards*".

d. However, the Industry's concerns were proven right as TRAI has now proposed to use the same origination charge for prescribing national roaming ceiling tariffs, which would in effect be tantamount to regulation of origination charges. Therefore, the proposed regulation leads to the implementation of a regulated tariff regime where both origination and termination charges are regulated.

e. While doing so, TRAI has clearly departed from its stated position with respect to cost based regulation, as illustrated below.

   - In its regulation on ILD calling cards, TRAI fixed the origination access charge of Rs.0.40. If the principle of 'work done' is to be applied then the termination charge should also have been fixed at the same level. In contrast, the termination charge was reduced from Rs.0.20 to Rs.0.14 instead of increasing the same from Rs.0.20 to Rs.0.40.

- TRAI has always emphasized that the costs of wireline and wireless networks are the same and hence warrant symmetric termination charges. However, in the ILD Calling Card Regulation, TRAI has specified a differential access origination charge for wireline at Rs.1.20 per minute against an access origination charge of Rs.0.40 per minute for wireless. In contrast, while prescribing the termination charge, the termination charge for wireline has been kept at zero against Rs.0.14 for wireless.

f. Moreover, TRAI has initiated this draft TTO immediately after the issuance of the new IUC regime with the belief that the reduction in termination and carriage charges should lead to a reduction of roaming retail tariff. The IUC regime in no way reduces costs for the Industry, and at most, changes the revenue share among various TSPs. Therefore, it cannot be a basis for a reduction in the tariff ceiling.

Origination charges have been under forbearance since the CPP regime, and a transition to the prescribed origination charge will deprive the Industry of the flexibility towards a major source of revenue that has so far led to increased innovation and affordability in the Indian telecom market. We submit that fundamental changes such as these require a review of the entire IUC regime and the tariff forbearance regime, which we are sure, is not the intention of TRAI.

2. TRAI HAS FOLLOWED INCONSISTENT RULES FOR PRESCRIBING THE NATIONAL ROAMING CEILING:

Different rules for prescribing national roaming ceiling:

a. Prior to this draft TTO, TRAI had reviewed the national roaming ceiling in June 2013. At the time of the review, TRAI specified that the generally prevailing tariff for Outgoing Local Calls and outgoing STD calls while on roaming is Re. 1 per minute and Rs. 1.50 per minute respectively, which were in fact the rack rates and were used to prescribe the roaming tariff ceiling.

b. Today, 35% of the total pre-paid roaming minutes, belonging to price-sensitive customers, are already under Special Roaming Vouchers. Post-paid customers, who are either corporate users or have a higher capacity to pay are not price sensitive. Therefore, the requirement to ensure affordable prices for price-sensitive roaming customers has already been met.

c. Since the last review, due to increases in costs such as spectrum, the industry has only increased their home tariffs (but not roaming tariffs due to prescribed ceiling). Therefore, if roaming ceilings are to be decided on the basis of prevailing rack rates, as has been followed before, then there is no reason for TRAI to reduce the national roaming ceiling and that too by a significant margin. Under no circumstances can the roaming tariffs be equal to or lower than home tariffs.

d. However, TRAI's proposed approach to reduce the roaming tariff ceiling on the basis of reduced termination and carriage charge (which is also unwarranted as per our submissions in above para (1, f) and lower average revenue realization in home service areas rather than on the basis of prevailing home and roaming tariffs is flawed. While the roaming ceiling prescribed in 2013 was higher than the prevailing home tariffs, the proposed TTO would result in situations where the proposed roaming ceiling is even lower than prevailing home tariffs, as illustrated in table below:

Table A – DIFFERENCE BETWEEEN THE PREVAILING HOME TARIFFS AND PRESCIRBED ROAMING CEILING IN JUNE 2013

Call Type	Prevailing Tariff in Home Service Area in 2013 (Rs. per minute)[5]	Roaming Ceiling Rates as per the TTO of June 2013 (Rs. per minute)	Roaming ceiling tariff is higher / (lower) than the local tariff by
Outgoing Local Call	0.72	1.00	39%
Outgoing STD Call	0.90	1.50	67%
Outgoing Local SMS	1.00	1.00	0%
Outgoing National SMS	1.50	1.50	0%

Table B – DIFFERENCE BETWEEEN THE PREVAILING HOME TARIFFS AND PROPOSED ROAMING CEILING IN FEBRUARY 2015

Call type	Prevailing Tariff in Home Service Area (Rs. per minute) – Airtel's Delhi Service Area	Roaming Ceiling Rates as per the draft TTO of Feb 15 (Rs. per minute)	Roaming ceiling tariff is higher / (lower) than the local tariff by
Outgoing Local Call	1.20 (2 paisa per second)	0.65	-46%
Outgoing STD Call	1.20 (2 paisa per second)	1.00	-17%
Outgoing Local SMS	1.00	0.20	-80%
Outgoing National SMS	1.50	0.25	-83%

[5] TRAI's consultation paper on "Review of Tariff for national roaming" dated 25.02.2013

e. As per the above:

- In Table A, the maximum difference between prevailing home tariffs and the roaming ceiling rates in case of Outgoing Local Call was 28 paisa.

- However, as per Table B, if the roaming ceiling for Outgoing Local Calls is reduced to 65 paisa per minute as proposed by TRAI, then this difference, when compared with the prevailing home tariff of Rs. 1.20 per minute, would become **negative** and the Outgoing Local Call from the roaming network would be **cheaper than** **(by 55 paisa)** the Outgoing Local Call from home network.

- Similarly, the maximum difference in case of Outgoing STD call in case of Table A was 60 paisa per minute which now becomes **negative 20 paisa** per minute (Table B) as the prevailing home tariff for Outgoing STD Call is Rs. 1.20 per minute and the roaming ceiling rate as proposed by TRAI is Re. 1.00 per minute.

- For outgoing local and National SMS, during the last review, the roaming ceiling and the home tariffs were at the same level. However, in the proposed exercise, the ceiling rates for local and national SMS while in roaming have been **drastically reduced by 80-83% when compared to prevailing home tariffs**.

f. It is clear that if TRAI decides to fix the national roaming ceiling based on prevailing home and roaming tariffs, then a reduction in the roaming ceiling is not warranted (due to increased home tariffs). The draft TTO, once implemented, will force TSPs to take either of the following approaches:

    i. **Scenario 1 (Proposed Scenario by TRAI) - Home Tariffs becomes higher than Roaming Tariffs:**

    - If home tariffs are kept at levels higher than roaming tariffs, the Industry would observe massive movement of SIM Cards from one service area to another, especially since many subscribers would be incentivized to move SIMs across licensed service areas in order to gain from the inherent arbitrage. This is a unsustainable position and TSPs will be forced to align their home tariffs to levels equal to or lower than the roaming ceiling tariffs

- Therefore, a cap on outgoing roaming calls at 65p/min (local) and 100p/min (STD) would effectively put a cap on normal (non-roaming) calls too (the arbitrage of lower roaming tariffs and higher home tariffs would not be sustainable). TSPs would lose money (prices will be below costs) on all types of calls, and these losses would multiply over time as customers learn how to 'play-the-system' and save money through turning STD/roaming calls into local calls, for example, by giving SIM cards purchased in home markets to friends and family in distant locations. Any attempt by TSPs to increase home prices to recover losses would fuel this behavior and for all intents and purposes, place the Industry in a more unsustainable position

- Moreover, with spectrum prices being so different in markets like Delhi (In last auction, the auction determined price of 1800MHz in Delhi was 88% higher than in Bihar & 96% higher than in Orissa), the ability to charge more for roaming into Delhi as well as from Delhi customers is key. The regime doesn't take either scenario onto consideration - first because the tariff is flat across circles and second because the roaming cap opens an arbitrage opportunity for Delhi customers to use outside SIMs of lower rates being offered in other circles.

ii. **Scenario 2: Home Tariff is kept below the National Roaming Ceiling:**

- During the last roaming tariff ceiling in 2013, TRAI deliberated on the issue of keeping roaming tariffs at par with the home tariffs and concluded against it. The relevant extracts of 2013 tariff order are as under:

  A tariff regime mandating 'roam tariff equal to home tariff' may result in cross subsidization of roaming subscribers at the expense of non-roaming subscribers.

  'This regime could impact the access service providers who do not have pan-India presence. Such service providers depend upon incumbent TSPs for providing national roaming service to their subscribers and, therefore, they have to face market determined wholesale roaming charges in the service areas where they do not have a presence. In a regime mandating 'roam tariff equal to home tariff', their flexibility in fixing home tariff may be impacted.'

TRAI has completely ignored its own findings while recommending for the roaming tariff ceiling to be set below prevailing home tariffs.

- TSPs will be forced to necessarily keep their home tariffs below the national roaming tariff, which will not only take away the flexibility to appropriately set tariffs, but would also bring an end to tariff forbearance in a highly competitive market. Such a policy would adversely affect TSPs' investments and their ability to run their business.

TRAI's changed position over origination charge for fixation of national roaming ceiling:

g. During the last review of national roaming ceiling, TRAI did not prescribe the origination charge and made the following observations:

   …..In light of the fact that the origination charge is under forbearance, the <u>Authority is of the view</u> that, <u>fixing a tariff ceiling for outgoing calls while on national roaming</u> based on the assumptions adopted during the previous review of 2006-07 <u>may lead to irrational results</u> that run counter to the actual situation prevailing in the market.

   …The Authority has, therefore, decided that the ceiling tariff for outgoing local calls and outgoing STD calls while on national roaming should be brought down and fixed at the levels of the prevailing tariffs for outgoing local call and outgoing STD call while on national roaming……………

   However, in the draft TTO, TRAI has reversed its position without any justification and prescribed origination charges for national roaming, which will also act as a cap for home tariffs.

TRAI changes its methodology while prescribing ceiling for roaming incoming call:

h. In the draft TTO, while prescribing the ceiling tariff for incoming call (45 paisa), TRAI has only considered the cost of carriage charge (35 paisa) and incremental cost for roaming (10 paisa) and has not considered the cost of termination. In contrast, in 2007, while fixing the ceiling tariff for incoming call, TRAI had considered the cost of termination charge. A brief illustration is as under:

S. No.	Cost Component	Incoming Call (per min.) (in Rs.) – 44th amendment of TTO dated 24.01.2007	Incoming call (per min. (in Rs.) – 55th amendment of TTO (draft) dated 17.06.2015
1	Origination charge	-	-
2	Carriage Charge	0.65	0.35
3	Termination Charge	0.30	**0.14 (not considered by TRAI)**
4	ADC	0.05	Not applicable
5	Incremental cost for roaming	0.75	0.10
Total		**1.75**	**0.59**
Ceiling fixed		**1.75**	**0.45 (instead of 0.59 paisa)**

3. LINKING THE TARIFF CEILING WITH THE AVERAGE REVENUE REALIZATION IS A FLAWED POLICY:

In the draft TTO, TRAI has argued that since the average tariff levels for national roaming services are higher than the average revenue realization in Home Service Areas, there is a need for further lowering the national roaming ceiling by using the realized tariffs as prevailing market tariffs and not rack rates. Such an approach has the following flaws:

a. Tariff is fixed based on market competition, cost of business and company's short-term and long-term strategy. Due to fierce competition, there might be a possibility that the prevailing tariffs are set by some TSPs at unsustainable levels due to competition. In fact, as a normal business strategy, new entrants generally offer services at price lower than prevailing tariffs to acquire market share quickly. In a tariff forbearance regime, TSPs adopt this strategy as they always have the opportunity to increase tariffs once they stabilize the business. However, using average realized rates (either on the basis of average revenue realization of an individual TSP or the Industry) to fix the tariff ceiling would lead to absurd results.

b. The average realization rate does not reflect the viability of prevailing tariffs and the cost of offering telecom services. In fact, TRAI has consistently recognized that the prevailing tariffs in Indian telecom market are at unsustainable levels, as reflected below:

    i. TRAI[6] in its recommendations (6th January 2015) has stated that "…..The first option is <u>constrained by the low margins</u> – occasioned by hyper-competition – characteristic of the Indian telecom market and the large fixed cost outlays involved in asset creation....

    ii. TRAI[7] in its consultation paper (23rd July 2013) has stated that *"…..because of a large number of operators in each LSA, there is cut-throat competition which has adversely*

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[6] TRAI's recommendations on "Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charge

[7] TRAI's consultation paper on "Valuation and Reserve Price of Spectrum"

affected the financial health of operators and the industry. Due to *__unsustainable pricing__* *and slow revenue growth, their EBIDTA is under pressure. The* *__current state of industry is not sustainable__* *in the long term ...*"

iii. Again, TRAI[8] in its recommendations (9th September 2013) stated that "*The telecom sector has been going through financial duress over the past two years.* *__Unrealistic pricing__* *and indebtedness have taken a huge toll. Operating margins have fallen drastically. Some companies have negative operating margins; leave aside interest and taxation, they are not even able to cover depreciation and amortization charges. Commercial banks' exposure to the sector has reached prudential limits precluding their ability (despite willingness) to further finance the sector*."

iv. Thereafter, TRAI[9] in its study report (19th November 2013) stated that "*__Low market tariffs__* *and the presence of large number of service providers in each licence service area have caused profitability to decline and made the telecom sector less attractive for infusion of equity. New investments are therefore being financed through debt. Sector indebtedness is growing…. the declining profitability of the sector, which lies at the root of the inability to attract fresh investment, is a cause for deep concern*."

c. By its own admission, TRAI has found the current tariff levels to be unsustainable. Therefore, we humbly submit that using average tariffs to calculate the average realization and using that as a motive for the fixation of roaming tariff ceiling will be an inappropriate policy.

d. As explained above, market forces and inter-circle SIM migration will force TSPs to keep home tariffs lower than the roaming ceiling. Therefore, the roaming ceiling will effectively act as a ceiling for home tariffs as well.

e. As a result, TSPs will lose the opportunity to move from an **__unviable tariff regime to a viable regime__** and will slip into a vicious circle, which will only create more chaos in the sector. The application of this TTO in its current shape and form would force TSPs to reduce home tariffs, which are already at unsustainable levels. As a result, the average revenue realization will further reduce the profitability of the sector.

f. Such an approach will not only undermine existing investments, running into thousands of crores, but will also bring innovation to a grinding halt. If tariffs are set on the basis of average revenue realization then TSPs will be forced to offer only one type of tariff for all segments

[8] TRAI's recommendations on "Valuation and Reserve Price of Spectrum"

[9] TRAI's study paper on "Shareholding Pattern, Financing Pattern and Capital Structure of Indian Private Telecom Access Service Providers

as they will neither be able to reduce nor increase their tariffs over the average revenue realization rate.

g. In fact, the use of the Industry averages worsens the situation further. The use of Industry average tariff for ceiling places TSPs under additional financial strain. They will not be able to command higher/premium tariff despite operating networks with better coverage and services. In such a scenario, there would be little incentive for an operator to provide good quality services and expand their network coverage through increased investments.

4. UTILITY OF SPECIAL ROAMING VOUCHERS:

a. In June 2013, TRAI mandated TSPs to offer a roaming tariff plan 'RTP' and a tariff plan 'RTP-FR', for both pre-paid and post-paid services in each service area. In the tariff plan 'RTP', the charges for outgoing (local and STD) voice calls and outgoing (local and STD) SMS were <u>uniform</u> for home service area and national roaming and within the ceiling prescribed for outgoing (local and SMS) voice calls/SMS and incoming voice calls for national roaming in lieu of fixed charges. In addition, incoming calls while on national roaming were also free of charge in lieu of fixed charges in the case of RTP-FR.

b. TRAI may argue that since fixed charges are under forbearance, TSPs can review the same to offset any loss due to a reduction in the roaming ceiling. However, according to us, such an opportunity no longer exists. Historically, customers purchased these packs since the roaming tariff ceiling was higher than the home tariff and customers had an incentive to convert their roaming tariffs into home tariffs. However, customers will not use these packs (at least RTP) now as roaming ceiling tariffs will be set lower than home tariffs..

c. Moreover, as per the proposed regulation, in all such packs where home tariff is higher than the roaming ceiling, TSPs will be forced to lower their home tariff to bring it on par with the reduced roaming ceiling.

Summary:

It is a well-acknowledged fact that the present financial condition of the sector poses several challenges, especially with respect to the long-term sustainability and the capability of the Industry to achieve policy targets. Investors in telecom networks take on large risks in making long-term investments with an expectation of regulatory and policy stability. As per TRAI also, a stable regulatory framework that promotes investment is a *sine qua non* if the anticipated investments for rolling out the ambitious Digital India mission are to materialize.

The Industry has witnessed the negative effects of irrational tariffs and cut-throat competition in the sector. In fact, TRAI[10] has also recognized that hyper-competition has adversely affected the financial health of TSPs/Industry and the current state of the Industry is unsustainable in the long run. Over the last 1-2 years, the cost of telecom business has increased significantly (higher cost of spectrum, RoW) and as a result, any roaming ceiling (equal or lower than the home tariff) will force TSPs to reduce their home tariffs as well. There cannot and should not be a framework that regulates tariffs in a highly competitive market, especially when input costs are on a consistent increase.

Since regulatory forbearance in the matter of fixing tariff for telecom services has been an important enabling factor in the remarkable growth of Indian telecommunications over the last decade, we request TRAI to continue with the tariff forbearance regime and drop the amendments proposed in the TTO.

[10] TRAI's Consultation Paper on Valuation and Reserve Price of Spectrum dated 23rd July 2013