

**CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. SABARKANTHA
GUJARAT**

**COMMENTS ON CONSULTATION PAPER ON REVIEW OF
POLICY OF FORBEARANCE IN TELECOM TARIFFS**

1. Do you perceive any need for a change in present regulatory framework for telecom tariff fixation ?

No.

Because

The highly competitive regulatory policies in India, led the emergence of innovative business models. Due to this framework, telecom market has become more dynamic and competitive. Unified Access Service License regime developed by TRAI, led to the rapid uptake of mobile services, as due to competition, prices of services fell significantly. These changes coupled with new developments in technology and resulted in the increasing demand of innovative new telecom services at all levels of the society. Effective regulation will definitely results in many benefits including consumer satisfaction.

Recent Supreme court's judgment may leads consolidation through mergers and acquisitions as, except Sistema and Telenor, the other operators are not interested to continue. It is the duty of TRAI to protect the telecom consumer by guarding against any decline in competition among operators on account of the cancelled licenses. If tariffs go up, the consumer will blaim not the court but the TRAI and Government for choosing

a specific method of implementing the court's order over other possible methods. Operators such as Sistema Shyam Teleservices, which provides services across the country under the brand MTS, is offering zero paisa plan for calls and messages on network. In circle like Mumbai, where the canceled licensees operate, the average tariff is 40 paisa per minute, while in Delhi, where the other licenses operate, the tariff is 50% higher. We must remember that, after the fresh bout of auctions, tariffs should not be high and remain competitive.

2. Should TRAI withdraw from the policy of forbearance ?

Yes.

3. If yes, what should be the basis of tariff regulation? Should it be by way of specifying a standard tariff package or by way of fixing tariff as a ceiling for individual charging components such as calls, SMS etc.? Please also suggest the methodology.

TRAI should restructure the way they approach the market and rethink the way they regulate the market. The service provider should require to file tariffs and obtain approval for every tariff plan prior to introduce in the market from TRAI. The prerequisite for effective and successful application of regulatory forbearance should be centered on the level of competitiveness prevailing in the market.

The tools used to regulate are far been based on intricate computations for rate of return regulations or price capping. These are also based on dated, inflexible

and complicated method for the regulation of tariffs and not suited for use in fast paced market environments. It is therefore, important to be better equipped in order to effectively regulate tariffs in the telecom sector.

In auction Sistema, Telenor, Idea, Etisalat etc. should be brought in at low entry costs and not whittle down the current level of competition in this sector.

4. Would tariff regulation affect the ability of the telecom service providers to introduce innovative tariff plans ?

No. Because

The high growth potential (expected subscribers to be more than one billion by 2015) attracted private companies despite the extreme competition, uncertain regulation and the lower ability of Indian citizens to pay. Consequently, private companies responded by coming up with innovative business models and diversification strategies. For example, Bharti outsourced its entire network operations on a long term contract to Ericsson, Alcatel- Lucent etc. It has also outsourced its entire IT operations to IBM Global Services Division. This allowed it to convert the capex required for expansion into an opex, thus requiring smaller amounts of capital for growth. By linking the payments to revenue sharing, it made the vendors share the market risk. Additionally, this type of arrangement allowed it to hedge the technology risk arising out of making the right choices and obsolescence. Reduction of capex led to a more attractive balance sheet, allowing it to get higher valuations.

Structuring the outsourcing contract, which was the first of a kind for any telecom company anywhere in the world, was a very complex process. Given that Bharti, a relatively smaller Indian company had to sell an innovative idea to global corporations and was successfully able to do so, shows that these corporations saw value in this business opportunity and possible growth paths for themselves in emerging economies. Subsequently, a majority of large Indian telecom companies adopted similar business models vouching for the value of this approach.

Another innovation in the Indian telecom sector was the development of infrastructure as a separate business. Recognizing that service provision and laying infrastructure were two separate kinds of business, several Indian telecom companies separated their operations along these lines and spun out the infrastructure divisions into separate legal entities that provided infrastructure services to their own parent as well as to third parties. Three of the largest operators put a majority of their existing towers as a separate business and the company so formed "Indus Towers" became the largest tower company. Vodafone Essar and Bharti Group each held 42 per cent stake in the company and Idea Group has the remaining 16 per cent stake. The company, which has operations in 16 out of the 22 telecom circles, owned more than 110,000 towers. In comparison to the US market where, around 60% of the towers were provided by independent companies, around 28% were operator owned towers shared by other operators and the remaining 12% were exclusively used by wireless operators for their own use, in India around 80-90% of the towers were owned by operators. This implies that there was a strong potential for this market to grow. Indus Towers had

become the globally largest tower company with a portfolio of nearly 1,50,000 towers compared with American Tower Company portfolio of 38,000 towers.

The growth of tower business has been driven by saturation in high paying customer base, operators acquired customers with lower propensity to pay and consequent erosion of revenue base and profitability. Secondly, the relatively higher minutes of usage in the Indian market led to higher intensity of usage/per tower necessitating increasing the tower numbers, and in the scenario of high competition, sharing tower reduced cost.

The third aspect of the Indian telecom sector was the venturing abroad of Indian telecom firms. Many Indian Telecom companies acquired so many global companies and made them largest telecom network operator. This acquisition led to availability of huge global assets allowing it to provide global management solutions.

5. What would be the best method of managing the telecom tariffs so as to protect consumer interest even while affording the telecom service providers the necessary flexibility?

Specify competition-related criteria, that will be used to evaluate price movements above the upper band and below the lower band. Time limit and default outcomes can also be specified.

Benefits :

1. Reduces opportunities for rent seeking within the regulatory agency.
2. Does not breed discontent among service providers.

3. Does not rely on tedious and completed calculations.
4. Creates efficiency.
5. Allows more dynamism and enables quicker responses to tariff changes in the market.
6. Give operators more flexibility with the use of bands for deciding on their tariffs rates. Operators are encouraged to use innovative marketing strategies, while retaining safeguards.
7. Reduces the darkness of pricing for consumers.
8. It enables intelligent and responsible regulation.

For successful operation of above said method, there is a need for accurate and timely operator level data such as minutes of use per month, call distributions by destination and time etc.. The data should be comparable to ensure the trouble free computation of the benchmark value around which the band is centered on.

- 6. Is tariff for data services offered by the service providers competitive and reasonable?**

No.

- 7. What are the factors that impact competition in data service in the market?**

No competition.

8. What can be the possible measures by the regulator for facilitating enhanced competition for availability of data services at affordable tariff?

1. Availability of adequate spectrum
2. Proliferation of telecom service in rural sector, the Large untapped potentials are in the rural Indian telecom market
3. Growth of data services
4. Inorganic growth through M & As.
5. Rational tariff
6. Innovation
7. Subscriber – centricity and content.
8. The service provider should move beyond entertainment and develop customized services to cater to the unmet demand for more utilitarian services.
9. The expected growth will come from high speed data services such as mobile TV and Video calls.
10. Innovative business model.

9. Should TRAI regulate tariff for data services by way of fixing ceiling tariff to protect the interest of the consumers? If yes, what should be the basis and justification for tariff fixation?

Yes. Mentioned above.

