

COMMENTS/SUGGESTIONS ON TRAI's CONSULTATION PAPER No 22/2019 on "TARIFF ISSUES ON TELECOM SERVICES"

It is emphasized that immediate regulatory intervention is essential for fixation of floor price against cellular tariff across all the services and products. Views in detail with full justification against points 1 to 19 of the questionnaire is narrated below.

Macro economics of a country mostly depend on energy. As the cost of energy is steadily growing, the pricing of commodities (be it goods or services) ascending globally. While the cost of input ingredients for telecom service viz land & building, power, fuel, towers, equipment, other infrastructure, logistics and staff cost is ever increasing, how and why the cost of telecom service in India is decreasing. A close study over past 20 years reveals that while the petrol and diesel prices in India **rose** by a whopping 243% and 386%; and other essentials like housing, food, FMCG, education, healthcare, transportation etc., more than doubled or trebled; the call and data prices steeply **fell** by a 92 and 98%. Globally fuel prices when plotted low to high, India is placed at around 70th position among 165 countries, while in call and data pricing it is cheapest among all. This unhealthy trend arose due to the hard facts that the TSPs from the beginning were resorting to irrational and predatory price war to achieve faster increase of their subscriber base. This unethical and unsustainable business practices dwindled their revenues, steered them into huge debt traps resulting in piling up of stressed bank loans causing increased NPAs to banks. The relentless fall in tariff further nosedived after RJios entry in the sector with free voice calls and SMS bundled with cheaper data has led to additional pressure on margins of all operators resulting in several exits and M&A events. History reminds us that the same company exhibited different business model to close thousands of its petroleum retail outlets during the period of regulatory pricing mechanism.

Social media makes an individual ingenious, but society as sectarian. Citizens becoming netizens exponentially, data addiction reached such a feverish pitch that post article 370 abrogation, stake holders are more vocal about restoration of internet than other essentials. Indian households covered with power and gas connections in seven decades is far less than mobile phones covered in two decades. But for the determined and relentless efforts of Modi govt 1.0, the gap would have been far wider. Harm outweighs the benefits due to unproductive use of internet. Effects and escalation of global warming due to heavy usage of IOTs is in the public domain. Social media aided by data analytics together with virtual and augmented reality techniques has telling effects on political fallout of countries. During movements of civic unrest in democratic countries, govts are forced resorting to curbing social media along with physical policing acts. These govts in the vital national security aspects also, finding difficult to prevail upon the giant social media, for instance US FBI struggling with Apple who states **privacy** and Indian govt with Whatsapp who states **end to end encryption**. Addiction to social media buoyed by free and cheaper data not only denting social harmony but causing considerable threat to national security. Now supreme court also opined, curbing usage of internet for prolonged period (even for national security reasons) can not be allowed as it amounts to curbing freedom of speech. The only option left for govt is to stop availability of free and cheaper data so that usage will be restricted to need based.

Sofar, TSPs and govt together were reluctant for fixing the floor price for telecom tariff under the guise of healthy competition. When this has led to irrevocable fall in revenues, and after the verdict on AGR by supreme court, Vodafone-Idea and Bharti airtel have knocked the door of the govt seeking measures to help the sector reeling under financial stress by raising tariffs. Under extreme compulsions of survival, themselves increased the tariffs by around 40%. When Supreme court on clearly defining the AGR directed the TSPs to clear the govt dues, Bharti Airtel now states that telecom industry needs some sanity and orderliness. Ironically, the same TSP along with another bigwig CDMA player Rcom behaved otherwise with their irrational and predatory pricing to achieve faster increase of subscriber base. They have undoubtedly flouted the basic tenets of economics that no product/service can be sold below its cost price. Govt and regulator all along were so considerate, resulting in following notable losses to exchequer. (1) Individual licensing for different services were brought under unified licensing, considerably reducing the license fee and gradually increasing the validity period. (2) Policies from time to time in fixing tariffs

for licence fee, spectrum, SUC were so liberal, denting substantial revenues (3) Nevertheless of these liberalized tariffs, TSPs raised litigation on computation of AGR leading to a long drawn legal battle. In spite of hon'ble supreme court directed that these telcos to pay the dues immediately, govt shown further magnanimity to consider a two year moratorium (4)The bankruptcy filed by Rcom to the tune of Rs49,000 crores still in resolution process through IBC, is expected to recover less than 30% as per the current indications. The losses accrued to public revenues due to forcible exits and M&As of other TSPs under resolution process is anybody's guess (5) Commenting on the history of systematic extermination of giant BSNL from its past glory to its present pathetic state runs into volumes. IBC does not envisage fixing responsibility for the loss of lakhs of crores to govt exchequer and other financial institutions together, and promoters of all these bankrupt companies going scott free. But the faithful DOT employees existing prior to formation of BSNL and obediently opted to work in BSNL, and retired duly covered under Rule 37A of CCS pension rules (about 2 lakh) were deprived of their pension revision (just few hundred crore rupees) since Jan 2017.

SUGGESTION FOR TRAI: Though belated, the action taken to float a consultation paper on setting up floor price for the telecom services is a welcome step. TSPs should concentrate on competing in providing better quality of service to customers as per the set QOS parameters, in a narrow range of tariffs to be fixed by regulator. Triggered by RJios entry, India's data consumption per smart phone grown to highest in the world at 9.8GB/month as per the information available in public domain. This growth presumably is not productive due to the fact that while USA is the 7th richest and India is 107, USA stands 19th in per capita income while India is in 157, USA has 66 universities in world top 200 while India has just 1; cost of data in India stands cheapest at 1st position with USA at 182. The average cost per GB of data is \$0.26 in India, \$6.66 in UK, \$12.37 in US, \$15.12 in South korea and global average standing at \$8.53. Therefore, the contention of COAI that the reserve price of 5G airwaves fixed by TRAI at Rs492 crore/MHz, is nearly 30-40% higher than that of South korea and USA is totally unacceptable. One should not expect to do dirt cheap business and earn profits at the cost of govt exchequer which is public money. Individuals and entrepreneurs governing the private finance should have the same outlook toward public finance of banks and govt.

The need of the hour is, to devise rational costing of resources and fair pricing of the product, ending the freebies and subsidized price regime to create sustainable business environment for all the stake holders. For a common citizen as individual or family, the share of telecom expenditure may be at best around 5% of the monthly budget. All along, Indian consumer enjoyed 98% reduction on 5% of the budget, while the rest of the 95% of the expenditure rose by nearly 300% in the last 20 years. Bharti Airtel now emphasized that the ARPU currently standing at Rs130 should be gradually taken to Rs300. Even a **fourfold increase** of call and data tariff from the current levels should have a miniscule effect on Indian consumer. This will have multiple positives viz (1)The earnings of TSPs would improve for absorbing inconceivable technological changes in the offing without compromising govt revenues. (2) Increased govt revenues will brighten the macroeconomics and will be useful for inclusive development of the country. (3) As govt already recognized telecom as a strategic sector, survival and sustenance of BSNL is a national imperative, more so due to vulnerabilities of the current geo political scenario. (4) The continued spurt in data traffic due to digital India programme of the govt would be offset to some extent due to price rise and productivity of data usage will increase by judicious usage of consumer.

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