

TAIPA's Response to TRAI Consultation Paper on "Tariff Issues of Telecom Services"

TAIPA would like to thank the TRAI for the opportunity to comment on consultation paper on "Tariff Issues of Telecom Services".

TAIPA represents the Infrastructure Providers Category-I (IP-I) registered with the Department of Telecommunications (DoT). As of date, IP-I have installed approx. 5,80,000 towers in the country that houses approx. 22 lac BTSs with huge investment of ~Rs 2,50,000 Cr so far. IP-I incurs the upfront capital expenditure and provide the telecom infrastructure including the towers to the telecom service providers for providing telecom services. In this manner, IP-I entities have played a significant role in making available reliable and resilient passive telecom infrastructure for sharing among Telecom Service Providers (TSPs) in a non-discriminatory manner.

In past few years, the Indian telecom market has shrunk from a 10-12 players (telecom operators) market to a mature 4 players construct due to ongoing consolidation. In view of embargo on IP-I entities to provide passive infrastructure services only to TSPs, the business model of IP-I has limited expansion prospects in a telecom market with lower number of telecom players. Further, the telecom service sector is also facing a looming financial crisis since 2016. Unforeseen levies and taxes are imposed upon the telecom operators by which most of them may find it difficult to run the business. Hyper competition made the tariffs below cost and unsustainable leading to steep fall in revenues of TSPs and ballooning debt is hurting the business of Infrastructure providers and further investments in telecommunication infrastructure, networks and technologies.

The recent AGR judgement of the Supreme court is a major setback for the telecom sector which has put further financial pressure on TSPs. This will certainly impact IP-I players also as the business of IP-Is remain linked to the growth of the TSPs and the demand for telecom infrastructure is a function of TSPs network rollout and expansion plans.

Telecom, being a highly capital-intensive business, needs huge investment for growth and providing service based on new upcoming technologies. Considering the growing use of data up to 5x and the rollout of 5G and new technologies, huge amount of investment will be required in the sector. As per the recent estimates from E&Y, further investment to the tune of Rs 93,000 crores by tower companies in rolling out such networks is required.

Telecom sector has already played a central role in realizing the ambitions of various governmental programs such as "Digital India", "Financial Inclusion" etc. and will also be

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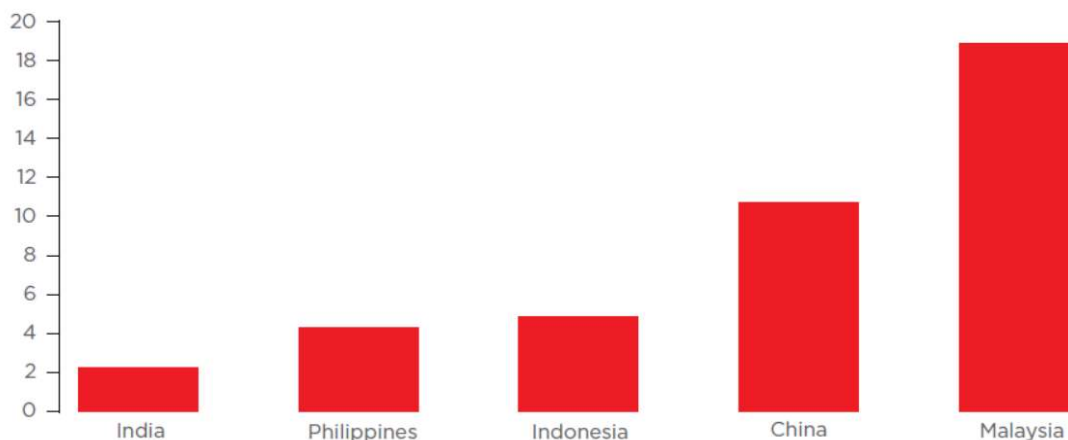
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central to realizing the NDCP-2018 goals to ‘Connect India’, ‘Propel India’ and ‘Secure India’. As per a GSMA report, a survey of global mobile data pricing highlighted that India was the cheapest market of a total of 230 countries surveyed in the final quarter of 2018. The average price for 1 GB of data during this period was INR18.5 (\$0.26), compared to a global average price per gigabyte of \$8.53. Lower tariffs and ARPU levels help drive affordability and are important elements in addressing the digital divide.

However, while this has given a boost to Digital India, the financial stability of the sector and the ability of TSPs to maintain sustainable business models has been affected. For 2018, ARPU per unique subscriber in India was substantially below the level of other markets in Asia Pacific. Indeed, across all developing markets, India is the second lowest in the world, behind only Ethiopia.

ARPU per subscriber (\$, 2018)



Source: GSMA Intelligence

Innovations from the private sector has helped the telecom/ internet and digital services to reach millions of consumers. Competition in mobile services has triggered further innovation and competitive pricing across the sector. Data costs have dropped by more than 95% since 2013 giving further fillip to various Governmental programs.

However, the area which requires immediate government attention is the financial stress facing the telecom sector as such extremely low tariff of telecom services is becoming unsustainable for the sector. It is suggested that the tariffs should be linked with the market dynamics and floor pricing should be introduced. While the Government has been prompt in announcing some relief measures like the two years moratorium on payment of spectrum dues, but given the financial stress, additional relief may further be required to restore the financial stability of the sector.

We strongly believe that immediate Regulator intervention is the need of the hour to address various issues faced by the sector and to bring back on the path of growth.

With the above background, we would like to provide our comments to some of the questions raised in the consultation paper as follows:

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.

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

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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.

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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.

TAIPA's Response:

1. TAIPA recommends that the regulatory intervention in tariff fixation is required on immediate basis for long term sustainability of telecom sector. A regulatory intervention will bring in more certainty in the sector and restore investor's confidence for enhancing further investments in the sector for rollout of 5G and various new technologies.
2. While the TRAI and the industry has taken several initiatives to protect the interest of the consumers, it is high time that the interests of the service providers is also protected to promote and ensure orderly growth of the telecom sector.
3. Further, business model of IP-1 is solely dependent on the TSPs. Any impact on the financial health of TSPs affects the businesses of IP-1s and hampers further investment in digital infrastructure in the country.
4. Therefore, TRAI intervention, by fixing a floor price for mobile services will help in making sustainable business models for all stakeholders in the value chain including IP-I players.