

## Annexure A

### Idea Cellular Submissions on TRAI consultation Paper on Differential Pricing

At the outset, we would like to state that Idea Cellular is fully committed towards supporting the Digital India vision for the proliferation of Internet. Our submissions on the issue of Differential tariff are summarised below:

#### **A. Drivers of Voice Mobility success in India**

1. The Authority would appreciate that the Indian wireless industry, especially the private sector, over the last two decades, has perhaps built the finest and widest services infrastructure in form of a mobile voice highway which today connects over 5 lac towns and villages across 550 districts including deep rural interiors and hinterlands across Bharat. This infrastructure, entailing investments of over Rs. 7.5 lac crores, is the backbone that delivers high quality voice services to nearly 1 billion Indians today, catapulting India to the 2<sup>nd</sup> largest mobility country in the world in terms of number of mobile users, and generating over 10 billion voice minutes on a daily basis. The sector is a vital driver of the country's GDP and has contributed nearly 3% directly to the economy over the last decade.
2. **One of the key factors responsible for this growth and contribution from Private sector is the policy of forbearance of retail tariffs adopted by TRAI since 2002, wherein the operators have been given flexibility to tariff their products.** This policy coupled with the stiff competition introduced by TRAI in the sector has translated into a sharp decline in tariffs (from Rs 16/min in 1999 to Rs 0.50/min currently) which in turn has contributed in achieving the high growth rate of telecommunication subscriber base.
3. **This has spurred innovation and customization of solutions in the market. In fact all the benefits that can come from effective regulation, such as economic and technological growth, increased investment in the sector, cost reduction with improved efficiency, better quality of service, improved customer satisfaction, affordable prices delivering better value for money and improved access and availability of services, have got delivered under the prevailing Light touch regulatory regime of TRAI.**

## B. The Wireless Broadband challenge

4. Multiple models for growth of voice services have been tried and implemented by the Industry and TRAI has been a supporter throughout. **It is thus necessary for the TRAI to adopt the principle of Light touch Regulation while on cusp of next great challenge – wireless broadband (mobile data) penetration across the country.**
5. While the Mobile Data journey of the Indian telecom sector commenced in 2010 with the auction of 2100 and 2300 MHz spectrum, the ecosystem was not fully developed with lack of affordable 3G devices and limited applications for consumers to realize the need of internet. As a result, the mobile broadband population coverage was slow to expand with only 300 – 400 million Indians being covered over a span of five years, from 2010 to 2015.
6. However, all antecedents seem to indicate that India is now on the cusp of a digital revolution that will permanently transform the lives of Indians and the way we work, play and interact. In last 2-3 years, operators have invested heavily in acquiring broadband spectrum. Today, the top 3 – 4 mobile telecom operators are working at breakneck speeds to deploy high speed mobile data networks on 3G and 4G platforms to expand wireless broadband coverage from current 300 – 400 million to **over a billion Indians in 2020**, estimated to require an additional investment of Rs. 5 lac crores over this period.
7. The ecosystem is also undergoing rapid transformation. 3G and 4G handsets have become increasingly affordable with prices starting from as low as Rs. 3,000/- for a 3G smartphone and Rs. 5,000/- for a 4G smartphone. A number of internet connectivity based applications have been developed across several spheres, addressing varying needs of the Indian consumers, making the mobile data services more relevant for them. The potential opportunities arising out of increasing digitization of the Indian masses have already sowed the seeds of a fast growing internet economy.
8. With these fundamentals beginning to fall in place, the coming era from 2016 to 2020 will witness mass mobilization to a digital world and telecom analysts are already projecting over 500 million wireless broadband users in 2020 from current 90 million 3G users.

### C. 300 million Indian Internet Users – Myth or Reality?

9. As per latest report published by the authority, India has over 319 million internet users as of June 2015, out of which 300 million users are wireless internet subscribers (Source: TRAI, “The Indian Telecom Services Performances Indicators, April – June 2015). However, due to the ubiquitous nature of 2G services, a large proportion of Indian internet users continue to use the 2G platform to access internet services. 2G technology has not been designed for providing broadband access to users and therefore attracts a lot of casual users of internet, with negligible monthly usage between 1 to 100 Megabytes. Users of 3G and 4G technology which is specifically designed for providing broadband access to users is therefore a better reflection of the serious internet users in the country.
10. As of June 2015, **only 93 million subscribers were using wireless broadband internet services**, indicating that despite the launch of wireless broadband services like 3G in 2010, under 10% of existing wireless subscribers and around 7% of India’s population have adopted wireless broadband technology and therefore qualify as serious internet users consuming global average of 600 to 700 Megabytes of data on a monthly basis. In fact, according to a UN report, **India is ranked 155<sup>th</sup> out of 189 countries on active mobile broadband subscriptions**<sup>1</sup>. Besides low broadband penetration, India also fares poorly on other crucial factors for driving internet adoption in the country, including parameters like Social development Index where it is ranked 102 out of 132 nations Literacy levels, Purchasing power, etc. <sup>2</sup>
11. With mobile broadband penetration in India around 7%, the top priority from Indian policymaker’s perspective should be to extend the benefits of the internet to the balance “1 Billion Indians” and make Internet available to all strata of society, especially the “Unconnected ones”.

### D. Making India truly ‘Digital’

12. To make broadband internet access available to over a billion Indians, top 3 – 4 mobile telecom operators are rapidly expanding their broadband coverage by launching 3G and 4G networks. Along with this, increase in affordability of 3G and 4G handsets is also propelling Indians to

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<sup>1</sup> (Source: [http://articles.economictimes.indiatimes.com/2015-09-22/news/66792390\\_1\\_cent-penetration-broadband-penetration-internet-connectivity](http://articles.economictimes.indiatimes.com/2015-09-22/news/66792390_1_cent-penetration-broadband-penetration-internet-connectivity))

<sup>2</sup> (Source: [http://articles.economictimes.indiatimes.com/2014-04-04/news/48866878\\_1\\_gdp-brics-india-and-china](http://articles.economictimes.indiatimes.com/2014-04-04/news/48866878_1_gdp-brics-india-and-china)),

upgrade their existing handsets to smartphones which will enable them to access mobile broadband services. However, simply improving broadband coverage, availability of affordable devices and low pricing of mobile data services alone will not enable the massive digital transformation that the Indian government is envisaging.

13. Unlike voice services where the consumer was largely homogeneous, was already aware of benefits of these services, and required only coverage and affordable devices to adopt mobile voice telephony services, internet adoption in India is a far more complex task. Besides providing mobile broadband coverage and making affordable handsets available to users, consumers need to be educated about the benefits of internet with relevant vernacular and regional content made available for their consumption. Further, given the heterogeneity of the Indian market, consumers across different geographies, socio-economic profiles and demographics will have need for different types of internet based services across different genres.
14. **The Authority needs to appreciate that today, only the serious 75 to 100 million (these are generally elite knowledge workers) customers who have access to high speed broadband are able to effectively understand and utilize the applications such as e-mail, commerce, instant messaging, entertainment, governance and social media applications.** An onerous exercise entailing consumer education, handholding and building relevance will have to be completed by means of trials and experiments, leading the balance 1.2 billion Indians on the path of discovery and generate sustainable demand for mobile broadband services in the country.
15. Enabling this discovery process will require a synergistic approach between various stakeholders in the larger ecosystem including TSPs, Content providers and Application service providers. While a lot of foreign MNCs have displayed interest in providing content and applications for Indian consumers to try, learn and use, hundreds of digital startups are mushrooming as they attempt to build up the ecosystem which would translate every physical aspect of our lives into the digital space.
16. If the internet adoption in the country remains weak, and middle and bottom end of Indian consumers do not see relevance of internet in their lives, not only telcos' massive broadband infrastructure investment would be left idle, the digital vision of Government of India would not accelerate at the pace of objective articulated by Prime Minister and Telecom ministry.

## E. Key drivers for data growth

17. Innovative pricing in India is a crucial tool to every sector. The consumer needs to benefit from the high speed, consistent quality and great value services, while the investors in the telco sector need to make adequate returns to stay interested, allowing for the reinvestment in the sector to continue. The telecom sector over the last 20 years has played a vital role in creating over a billion connections in spite of several hurdles, but a fiercely competitive landscape has resulted in among the lowest rates for airtime in the world, and indeed this has been recognized globally, making the India telecom growth story the cynosure of the rest of the world.
18. As the industry is now poised to bring the benefits and advantages of the internet to the already connected, while at the same time continuing to expand coverage and services to connect the unconnected, the single most important Regulatory legislation was “forbearance of tariffs” which has provided an excellent platform of self-regulation while growing the ever expanding need for voice connectivity, and the growth in minutes of use is testament to this fact. This fact has rightly been recognized in the Consultation Paper and it is this factor, coupled with the far sighted TRAI policy decisions like MNP etc. that has played a stellar role in growing the telecom market equitably.
19. **As the Indian consumers embark on the journey of discovering the world of internet and how it can transform their world, they will need to be educated. The demand for internet will be built up as it happens in every sector, through the process of trial packs bundled with applications, content and promotion/price offers. The trial pack and acquisition offer in the voice era was directly controlled by the telecom service provider, but in the internet world, as we transition the customer from the physical to a digital way, pure price discount on mobile data or on applications/content will not deliver the desired results. Combo or bundled packs like watching first 10 minutes of a movie free, first 10 songs free, 2 days of mobile banking services at no data cost or Education sector and health services trial packs at discounted or subsidized data rates will have to developed and promoted to consumers as they try and discover these internet services. As such differentiated data tariffs are a critical need to grow serious internet users in the country. Any restriction on this could be detrimental to the growth of data in the country, and the eventual vision of a Digital India will become more difficult to achieve.**

20. Presently most of the content is English language based, and there is development underway to create content that caters to local needs. This will happen through innovation, tie ups with existing service providers to sample and try out, and this needs to be encouraged. The present penetration of data users is far smaller than the large overall base of users, and a free and open environment that fosters innovation and entrepreneurship will permit for the proliferation of content and services aimed at the large numbers of non-data users.
21. Considering that telecommunication services are vital for overall economic development and the sector has significance both as a direct independent economic activity in itself and also as a major means of facilitating and enhancing the activities in almost all other economic and social sectors on both an individual and collective basis, the **Government and the Regulator need to create an environment of innovation and flexibility for operators as well as application providers while balancing the same with principles of tariff forbearance, transparency and non-discrimination.**
22. **Internet adoption can only be driven by non-standard offering – flexible, differential pricing approach to pricing of services. This activity cannot be driven by one single entity and can only be done when both telecom operators and application providers work together to create innovative product offerings and motivate the non-users to use internet and applications. The large heterogeneous Indian market will have several consumer segments with varying needs, for e.g. younger generation who would prefer entertainment like movies and songs, messaging and communication to older generation who may be more interested in health services, fishermen in Kerala may be interested in weather updates while the farmers in Maharashtra may be more interested in agriculture related applications, students may prefer educational content while migrants may want banking services. **Undeniably multiple applications across genres such as education, health, banking, governance and many more will need to be developed and promoted so that consumers with varying socio-economic, demographic and geographic profiles can try and adopt the ones best suiting their requirements and no single entity will be able to meet all these varying requirements.** Further, to assume that a single large entity will be able to monopolize the data markets by providing free internet etc. is a figment of imagination and practically implausible in complex, large, well regulated Indian market. The Indian legal system and the various existing laws are well equipped to ensure that no monopolistic, anti-competitive behavior is practiced by market players.**
1. **While Idea Cellular fully supports the principle of tariff forbearance as enunciated and practiced by the TRAI for last several year, we do not support any concept designed to benefit single**

application providers and do not intend to participate in these programs. Such programs expect Telco to bear the full cost of running the program, making telecom offer free data services. There is no business case for telco to offer free data services for any platform or program. The same is apparent by the fact that most major telecom service providers in India have chosen to distance themselves from such programs. Also, in our view, the Regulator should not link the decision on Differential Tariff with any current event as no leading Indian telecom operator has joined such a program.

2. While there has been a lot of heated debates on 'Zero Rating Plans' being used to build market power / monopolies, in our view, Zero rated plans may be essential in India's journey towards 'Universal Internet Adoption'. Telcos can provide their distribution reach especially in hinterlands and deep interiors to promote and support young mushrooming digital startups in the country who have limited geographical reach and financial muscle to compete with established players. The new startups by definition have innovative and unique ideas and only through discovery and partnership process of working with telcos diverse, large base and wide reach can these new ideas reach the target segment of the startups.
3. We however recommend that Authority allow multiple options for reaching and serving the customers, provide adequate opportunities for trials of products, so that customer can start using the products. Such flexible approach was allowed by Authority earlier in case of voice telephony – local calls were aided by multiple VAS products, roaming, sms etc. Same principles need to be applied for data growth too. The TRAI needs to bear in mind here that it is this strategy of offering segmented plans and wide choice to the customer that has helped Indian consumers adopt mobile telephony at a fast pace making India the fastest growing telecom market in the World.
4. It is thus essential that we need to adopt differential pricing and create relevant proposition /offerings for non-users by roll-out of massive infrastructure across the country , and most critically by enabling huge demand generation, sales and marketing efforts including sampling, trials and education efforts, customized product offerings and large scale network, service and sales and marketing investment by TSPs.

In light of the above, our submission to TRAI Consultation Paper on Differential Pricing for Data Services is as below.

**Question 1: Should the TSPs be allowed to have differential pricing for data usage for accessing different websites, applications or platforms?**

**Idea Response**

**Yes, differential pricing is necessary, important and perhaps the only solution given the colossal task ahead of connecting 1 billion Indians through Internet and making Digital India vision a reality.**

**Following are the reasons to substantiate our views.**

**I. Current Internet Scenario India**

- A.** While the Mobile Data journey of the Indian telecom sector commenced in 2010 with the auction of 2100 and 2300 MHz spectrum, the ecosystem was not fully developed with lack of affordable 3G devices and limited applications for consumers to realize the need of internet. As a result, the mobile broadband population coverage was slow to expand with only 300 – 400 million Indians being covered over a span of five years, from 2010 to 2015.
- B.** **Internet adoption in India is still in its nascent stage with only about 7% of Indians having access to broadband internet.** While over 300 million Indians are reported to be accessing wireless internet, most of them do so on the 2G platform with limited consumption (1 to 100 MB per month). **The Authority needs to appreciate that even today only 75 to 100 million (these are generally elite knowledge workers) customers having access to high speed broadband are able to effectively understand and utilize the applications such as Videos, Photos, Commerce, Banking, Education, Health, etc.** Rest are either casual or intermittent users and 700 million have never connected to Internet. The digital divide is vast with Internet users concentrated in cities and urban areas, due to lack of access and education. **India is ranked 129th out of 166 countries in the ICT Development Index (IDI)<sup>3</sup>**; amidst SAARC nations too, India fares worse than Sri Lanka, Maldives and Bhutan when it comes to Internet penetration. It fares way poorer when compared to other three nations in BRIC where lowest penetration is close to 50%. Needless to say, there is a need to kick-start programmes that would accelerate Internet acceptance and reach amongst unconnected populace.

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<sup>3</sup> <http://www.financialexpress.com/article/fe-columnist/data-pricing-differentiation-isnt-discrimination/180478/>



- C. In India Internet usage is primarily driven through mobility, since fixed line penetration level was never high. Most Indians get their first experience of the Internet on a mobile phone. This is unlike other countries in Europe or US etc. where internet proliferation happened predominantly through fixed line route. In those countries internet through cable and fixed line options like landline, DSL etc. had been the mainstay for a long time. Also, in US and Europe there is competition amongst 3-4 well capitalized telecom players **while in India there is hyper competition between 7-8 players who are financially stretched and operate on significantly lower quantities of spectrum as compared to US and European operators.**
- D. **Internet access in India is presently based on the platforms of 2G technology, which is largely ubiquitous and is available to most Indians, and 3G technology which covers around 300 – 400 million Indians.** This has resulted in only 93 million Indians currently using broadband internet services, a meager 7% of population and under 10% of wireless mobility subscribers, despite the introduction of mobile broadband technology five years ago in the country. All this is slated to change with the massive investment planned by top 3 existing telecom operators on 3G and 4G platform and a new entrant on 4G platform which would drastically improve mobile broadband population coverage. Further, competition will keep the prices at world's lowest levels.
- E. The TSPs in conjunction with application/platform/ Web providers thus have a massive task ahead – that of connecting 1 Billion subscribers at minimum speed of 2 Mbps with average consumption of 1 GB per month, which would generate 1,000 Peta Byte traffic per month. This would also require covering 4 to 5 Lakh villages through a wide network of towers, optic fibre across length and breadth of country at affordable prices. This infrastructure deployment will require an additional investment of Rs. 10 - 15 lac crores (over next 10 – 15 years), besides the existing Rs. 7.5 lac crores that have been deployed for making mobile voice services available to nearly all Indians, in spite of low returns in the sector.
- F. **To attract such a large investment, freedom / flexibility in pricing and continued forbearance policy are essential since any TRAI intervention/ control on differential pricing would have adverse impact on TSP business models leading to greater uncertainty of investment return. This, clearly, would shake the confidence of investors in the sector thereby delaying fresh investments, resulting in weak infrastructure, in addition to promoting an oligopolistic market structure.**

**II. Internet market in India not mature and requires Innovation & Regulatory flexibility for growth.**

- G. Internet has to grow – if the Indian economy has to grow** – Internet has the power to bring real transformation to Indian economy. The Authority is aware that as per Analysys Mason, an increase in broadband penetration of 1% will contribute INR 162 billion or 0.11% to Indian GDP in 2015. Global economists are indicating that 1% improvement in broadband penetration will have 2.5% impact on GDP over a decade.
- H. Digital India is a vision of the present Indian Government that aims to transform India into a digitally empowered society and knowledge economy by 2018.** This programme will ensure that government services are available to all citizens electronically. Broadband and Internet access, thus, are critical to the nine pillars of Digital India vision. To realise the dream of digital India, there is a massive investment underway in rollout of 3G and 4G services. Such massive roll-out would require huge demand to sustain the investments and that can only come from allowing operators the flexibility to offer customized tariff plans. It is now well-proven that given the hypercompetitive nature of the Indian telecom market, only 4 telecom operators have been able to build a business around it while remaining 6 to 10 operators are making significant losses. In case the ability of the operators to offer differential tariffs is restricted it would be very difficult for incumbent operators, who are presently investing in the sector for long term, to sustain the infrastructure that the Indian telecom market has built over the years and businesses would become unviable rendering the sector unattractive for investors and resulting in NPAs for banks
- I.** While Internet gives high visibility to social networking, entertainment and video streaming sites, however these actually constitute only a miniscule number, if compared with the total mass of the 900 million subscribers. **Internet’s power is thus bigger and more potent in the sense that it can deliver essential services like health, education, banking, e-governance services to the last mile. Millions in India are bereft of these benefits as they are unaware of the relevance and use of Internet.** The real challenge ahead is thus, not only to get the next billion access to internet, but also to be able to prompt the current & prospective internet users to be able fully use applications for e-commerce, health, education and e-governance. **This activity thus can only be done in collaboration with application providers and requires both telecom operators and application providers to work together for creating innovative product offerings so that all players in the Indian telecom ecosystem can bring the enormous unconnected citizens to the world of Internet.**

- J. To generate Internet trials and to bring them online, collaborative efforts of TSPs, application/platforms/website providers is imperative. Differential pricing is the stepping stone for various Internet stakeholders to come together; without this key initiative, there is no scope for any partnerships to take Internet forward. In short adoption of B2B2C model would be essential for bringing relevant and cost effective solution for attracting the masses to the use of internet and helping the cause of digital India.
- K. In addition to the importance given to global companies, there are a lot small Indian start-ups that are coming up with innovative solutions for localised problems. Owing to low Internet penetration, most small start-ups neither have geographical reach nor the distribution muscle to reach the masses of India, especially in Bharat. Unless there is a push from partnerships between TSPs and content/application providers to support innovative, diverse and regional/vernacular content and applications, the Internet economy in India will be stuck with low demand, thereby delaying the pace of internet adoption and meeting the Prime Minister's vision of Digital Indian for the masses rather than the classes.

### III. Differential Pricing is essential

- L. Innovative pricing in India is a crucial tool to every sector. The consumer needs to benefit in form of not only affordable prices but also consistent, high quality, high speed wireless broadband access and trial packs of multiple diverse applications, while the service provider needs to make an adequate return on his investment, allowing for the reinvestment in the sector to continue. The telecom sector over the last 20 years has played a vital role in creating over a billion connections in spite of several hurdles, but a fiercely competitive landscape has resulted in among the lowest rates for airtime in the world, and indeed this has been recognized globally, making the India telecom growth story the cynosure of the rest of the world.
- M. With the introduction of smart phones and connectivity through data capabilities to the internet, the mobile operators are in the process of providing high quality, wide scale, deep access to emerging data users, and enabling them to choose the content of their preference. However, the consumer adoption of broadband services is growing at a slower than desirable rate. **The demand for broadband internet access will happen as it happens in every sector, through the process of trial packs, bundled offers and price promotions. It is akin to elasticity of pricing in the homogenous voice market. As such differentiated broadband data tariffs are a critical need to grow this segment of the user. Any**

restriction on this could be detrimental to the growth of data in the country, and the eventual vision of a Digital India will become more difficult to achieve.

**N. Standard mobile data offerings do not generate interest in non-user/casual user who is still discovering the role internet in his life and society** - Typically the data rates for 1 GB of data in US, is ~USD \$20 to \$30 or ~Rs. 1250 to 1850 (India equivalent). India is already amongst lowest levels at Rs.250 and Rs.175 for 2G speed. Consumers in US/ Europe have a longer history of a stable fixed line broadband, 3G and 4G platform services, high laptop and desktop penetration, higher education and better income portfolio, and are early adaptors of new technology. Given the need for internet application is well established in their lives, they see value in high mobile data prices for better services.

**In comparison, the Indian market is price sensitive**, and possibly misses the significance of buying a monthly data pack, which explains Internet being limited to 93 million elite users, while the rest remain casual users or do not access internet. The zero and intermittent users need to discover the transformational power of internet through programmes that encourage regular usage. **A standard offering of mobile data without any differentiation in terms of bundle on application, content or access will not be beneficial in driving adoption as straight jacket solutions will not work.** For a billion Indians, “one size fits all” approach has never worked in the past and it will stifle growth. Every Internet user is different with different usage needs for e.g. younger consumer may be focussed on messaging and communication, while an older consumer may have higher need for health or commerce (similarly rural consumer will differ from an urban consumer), the principle of “Different strokes for different folks” clearly needs to be applied. Customers benefit when they need to pay for what they choose instead of a standard rate for all. Differentiated pricing helps those who cannot pay a high price and those who want to pay for additional content and service.

**O. Majority of people are still adopting to mobile technology and are in early stages of the Internet learning curve. They have to be taught the relevance of Internet and encourage adoption.** Developed markets had access to computers and fixed line networks; their movement to wireless was only a shift in technology. In Indian market majority of people are still adopting to internet. **Unless we adopt differential pricing and create relevant proposition/offerings for non-users, the adoption will not accelerate as much as we want. Internet adoption can only be driven by non-standard offering – flexible, differential pricing approach to pricing of services.**

- P. We re-iterate that our aim of being an information society can only be fulfilled through all-inclusive digitization by providing accessible Internet services through mobility. **Differential pricing is the powerful tool that can be used by all players in the digital ecosystem to bring about this radical change.**
- Q. **Differential pricing and forbearance have been key enablers in pushing the Indian mobile and voice telephony market more than 1 billion users.** TSPs have been offering differential pricing on Voice and value added services since last 20 years and they have utilised it well to drive mobile adoption.
- R. **The fear that differential pricing can be misused or for gatekeeping is not substantiated and across the globe, these fears have found no basis. In any rare circumstance, where such fears come true, there are enough laws, competition commission and consumer laws to check any form of aberration.**
- S. **A regulated market without a free hand in deciding tariffs and customer offering in terms of bundling content and data, has limited incentive for TSPs to make further investments. Controlled and regulated prices impact business models in a competitive telecom industry with no innovation possibility and will reduce the ability of the TSP to attract investors, severely impacting the ability to garner huge financial capital needed for the sector and internet in India. Given the financial health of the Industry, all the stake holders i.e. Government, policy makers, TSPs, need to come together to create robust frame work for connecting 1 Billion Indian with high speed Internet and work with a missionary zeal to achieve it.**
- T. **While Idea Cellular fully supports the principle of tariff forbearance as enunciated and practiced by the TRAI for last several year, we do not support any concept designed to benefit single application providers and do not intend to participate in these programs. Such programs expect Telco to bear the full cost of running the program, making telecom offer free data services. There is no business case for telco to offer free data services for any platform or program. The same is apparent by the fact that most major telecom service providers in India have chosen to distance themselves from such programs. Also, in our view, the Regulator should not link the decision on Differential Tariff with any current event as no leading Indian telecom operator has joined such a program.**
- U. **While there has been a lot of heating debates on ‘Zero Rating Plans’ being used to build market power / monopolies, in our view, Zero rated plans may be essential in India’s journey towards**

**‘Universal Internet Adoption’.** Telcos can provide their distribution reach especially in hinterlands and deep interiors to promote and support young mushrooming digital startups in the country who have limited geographical reach and financial muscle to compete with established players. The new startups by definition have innovative and unique ideas and only through discovery and partnership process of working with telcos diverse, large base and wide reach can these new ideas reach the target segment of the startups.

In view of the above, Idea Cellular feels that the Indian Internet market is still in its infancy, the national roll-out of broadband services on 3G and 4G platform is still in transition, and neither the data market has matured enough nor the consumer adoption reached a satisfactory penetration level. Hence it would be advisable to have a flexible, differential pricing approach to drive Internet adoption. It is further re-iterated that:

- i. **Differential pricing and forbearance have been key enablers in pushing the Indian mobile and voice telephony market more than a billion mobile users.** Price differentiation has been a core element which has allowed telecom operators to provide customised tariffs based on differential such as usage pattern etc., thereby meeting specific needs of customers resulting in higher acceptance and more users adopting mobile voice usage. **The Regulatory flexibility is thus essential for data adoption and growth.**
- ii. A regulated market without a free hand in deciding tariffs and customer offering in terms of bundling content, application and mobile data will impact TSP’s ability to generate consumer demand, especially for large 1.2 billion non digital Indians and in the long run impact ability of telecom operators to sustain/commit large capital resources needed to build Digital India. Controlled and regulated prices will not attract investors and this will severely impact the growth of internet in India. **Given the financial health of the Industry, all the stake holders i.e. Government, policy makers, TSPs, need to come together to create robust frame work for connecting 1 Billion Indian with high speed Internet and work with a missionary zeal to achieve it .**
- iii. **Idea Cellular fully supports and endorses the existing TRAI principles of transparency, Non-Discrimination, Non-predatory, No Anti -competitive behavior, Not misleading and No ambiguity and these should remain the bedrock for the country’s data tariff policy.**

- iv. **The Authority also needs to appreciate that differential pricing is a common phenomenon in various industries, airline and hospitality being a couple of examples** and allows a free market place where companies let consumers decide the price they are willing to pay for a product or service. In fact the Government run BSNL itself has traditionally always had 2 kinds of tariff plans – one for the rural customer and the other for the urban users. Another example is freeways, which come with toll charges, as compared to normal roads; they provide same benefit and are available for anyone to use; users take a call on whether they want to pay a charge for faster commute or make a trade-off with free but slower facilities. Yet another example is the Indian Railways, wherein there are additional charges for reservation, different fares for different classes and different types of trains, based on the ability to pay and the grade of service being sought by the consumer.
- v. **The Authority also needs to appreciate that all input costs for the telecom companies are based on a free market mechanism. Even spectrum, where the rights are given by the Government is given through an auction mechanism, which represents the highest form of free market pricing (in fact prices have been higher than fair market prices due to artificially constrained supply and auction designs which have caused predatory bidding in many cases). In such an environment, when all input costs are based on free market principles, it is essential that market forces are allowed to determine pricing and if the market accepts differential pricing, then that should be allowed.**
- vi. **Differential Pricing is recognized in law** – Differential / dual pricing is recognised under law in several judgments and is backed by regulatory precedents from other sectors such as water, electricity / power, oil and gas and airlines etc. where consumers are classified into different categories based on certain indicators and factors like usage and consumption and type of subscribers / consumers. For instance:

#### **Electricity**

- a. Distribution companies provide electricity at different rates to different categories of consumers.
- b. Part VII (Tariffs) section 28 (7) (a) of the Delhi Reforms Act, 2000 reads as under –  
*“The tariff implementation shall not show undue preference to any consumer of electricity, **but may differentiate according to the consumer's load factor or power factor,***

**the consumer's total consumption of energy during any specified period, or the time at which supply is required.”**

- c. The basis for fixation of tariff is based on the nature of supply and the purpose for which the supply is required without showing undue preference. In a catena of judgments,<sup>[1]</sup> the Courts have held that favourable treatment to a certain class of consumers on account of economic disparity does not violate Article 14 of the Constitution of India.

### **Water**

Various state agencies such as the Delhi Jal Board differentiate between Residential, Partly Residential and Industrial / Commercial consumers. The rate and volume of water supply is dependent on the categorization:

- a. **Residential:** Water supplied to and used purely for residential purpose.
- b. **Partially Residential / Mixed:** Water supplied to residential buildings where commercial activity having non-intensive use of water exists, such as private clinic, consulting chambers, shops, property dealer's office etc. For Group Housing Societies and Apartments with one bulk connection for water, the dwelling units which have mixed use activity, are charged at tariff applicable for mixed use rates after taking average consumption for each unit. The office bearer with meter reader will assess such units after every two billing cycles.
- c. **Industrial/Commercial:** Water supplied to property where intensive use of water is envisaged such as hospitals, schools, offices / office complexes, Railway Stations, Police Stations, Airports, Bus-stand, Petrol Pumps, Hotels, restaurants, marriage halls, industry / factories, amusement parks etc.
- d. Notwithstanding that all these categories use the same standard and quality of commodity i.e. water - there is differential pricing.

### **Gas**

- a. The LPG distribution model followed by gas companies such as Indian Oil Corporation, Bharat Petroleum etc. recognises and makes a distinction between a Commercial and Domestic



Consumer (like in the broadcasting sector where there is a commercial subscriber and ordinary subscriber).

- b. Commercial consumers include LPG used by non-manufacturing establishments or agencies primarily engaged in the sale of goods or services such as hotels, restaurants, wholesale and retail stores etc. The cost of purchase is directly linked to the market forces.
- c. Domestic consumers include usage by private dwellings, including but not limited to apartments for the purposes of cooking, heating and other household usages who are given gas via LPG cylinders/pipeline at a reduced rate.

**Applying the same principles, internet can be made accessible to all and can narrow the digital divide in India. Therefore, price flexibility and / or differential pricing is vital. In fact, even under the TRAI Act differential pricing is recognised under Section 11 (2) wherein different rates can be levied. Relevant part of Section 11 (2) is extracted below:**

***“PROVIDED that the Authority may notify different rates for different persons or class of persons for similar telecommunication services and where different rates are fixed as aforesaid the Authority shall record the reasons therefor.”***

**Thus, differential pricing is backed, supported, and recognised by statute and Courts. This has benefitted consumers, subscribers and all other stakeholders.**

- vii. **It needs to be kept in consideration here that Differentiation is separate from discrimination and that differentiation, if implemented in the right manner, can in fact help in enhancing customer welfare.**

Thus we feel, differential pricing is the way ahead to include more and more Indians in the Internet economy, and that the **TSPs should be allowed the freedom to have differential pricing for data usage for accessing different websites, applications or platforms with the TRAI playing the same role of overseeing and scrutinizing tariff proposals to check for their consistency with the regulatory principles.**

***Question 2: If differential pricing for data usage is permitted, what measures should be adopted to ensure that the principles of non-discrimination, transparency, affordable internet access, competition and market entry and innovation are addressed?***

**Idea Response**

1. **Regulatory experience over the last few years indicates that competitive intensity itself results in the manifestation of the best and most competitive tariffs for customers.** Further, forbearance policy has stood the test of time. It has helped India to add millions of customers to mobile telephony. At present, various voice, value added services and combo offering are marketed in various forms of differential pricing and the Regulator has not felt the need for intervention, based on principles of transparency, Non-Discrimination, Non-predatory, No Anti-competitive behavior, Not misleading and No ambiguity. If TRAI feels that any of the principles are being violated, they can seek explanation from operators and take necessary action under the TRAI Act.
2. Thus, like TRAI scans the tariff landscape to ensure voice tariff offers are reasonable, transparent, non-discriminatory and are not anti-competitive, it can continue the same practice for differential pricing in data as well.
3. Further, our country already has adequate rules/acts in place to take care of any disadvantage resulting from price differentiation in case of data services. The existing legal regimes provide sufficient protection against any monopolistic or distortive behavior by operators without stifling innovative offers that enable smaller competitors to enter the market. All Internet transactions are governed by the same laws that govern other commercial transactions. Some of these safeguard laws include :
  - i. Competition Act, 2002
  - ii. Information Technology Act, 2000
  - iii. Consumer Protection Act, 1986
  - iv. Indian Contract Act, 1872
  - v. Indian Penal Code, 1860
  - vi. Intellectual Property Rights (especially Copyright Act, 1957)

***It is thus felt that the principles of non-discrimination, transparency, affordable internet access, competition and market entry and innovation would be sufficiently addressed through existing statutes and laws.***

***Question 3. Are there alternative methods/technologies/business models, other than differentiated tariff plans, available to achieve the objective of providing free internet access to the consumers? If yes, please suggest/describe these methods/technologies/business models. Also, describe the potential benefits and disadvantages associated with such methods/technologies/business models?***

**Idea Response**

**Idea Cellular feels that there is no other option other than differential pricing and B2B2C model that can bring the power of Internet to the enormous size of unconnected population in India.**

Education campaigns have been run, but that has not been able to create the required push to change 90 million 3G casual users to regular users. Unless differential pricing method is implemented, we will never see the change we want to see in the Internet revolution.

The alternate options suggested in the consultation paper are not sufficient to provide connectivity to a billion Indians in a short span of time.

**We feel that differentiated pricing for data services is the only method by which universal access to data services can be promoted. The TRAI needs to bear in mind here that it is this strategy of offering segmented plans and wide choice to the customer that has helped Indian consumers adopt mobile voice telephony at a fast pace making India the fastest growing telecom market in the World.**

It would thus be counter-productive to now move to a tariff regime that stifles innovation and takes away the flexibility of the operators to create segment-specific tariff offerings that cater to different needs of the constantly evolving internet customer segments in the Indian telecom market. **Hence, the need for continuity of the same for data tariffs.**

***Question-4: Is there any other issue that should be considered in the present consultation on differential pricing for data services?***

### **Idea Response**

TRAI act was created for the interest of consumers and to ensure orderly growth of the telecoms sector. Under the prevailing Light touch regulatory regime of TRAI, all benefits that can come from effective regulation, such as greater economic and technological growth, increased investment in the sector, cost reduction with improved efficiency, better quality of service, improved customer satisfaction, affordable prices delivering better value for money and improved access and availability of services, have got delivered. Multiple models have been tried and implemented by the Industry and TRAI has been a supporter throughout.

The Authority needs to now appreciate that the cost of providing Internet has gone up with inflationary pressures, hyper competition, expensive spectrum auction with disruptive telecom technologies are a constant threat to the business model of a TSP. TRAI is aware that massive investments have been made in building India's pan nation voice network, and further commitments are being made to build a deep and wide mobile broadband infrastructure – while spectrum prices needs to be rationalized and quantum availability needs to be increased. At the same time, it is also well-acknowledged that the prices of voice and other value added services have gone down substantially. While making any decision, TRAI should take overall health of industry into account – how to attract capital from Indian and Foreign investors and banks, how to assist demand generation for the number of new start-up who would be harbinger for major employment generation in the country and evolving a spirit of entrepreneurship all round while keeping the Internet ecosystem balanced so that all players are thriving.

Considering that telecommunication services are vital for overall economic development and the sector has significance both as a direct independent economic activity in itself and also as a major means of facilitating and enhancing the activities in almost all other economic and social sectors on both an individual and collective basis, the **Government and the Regulator need to create an environment of innovation and flexibility while balancing the same with principles of tariff forbearance, transparency and non-discrimination.** This is possible through creation of a policy framework that promotes collaborative efforts and working together of all stakeholders / market players, including start-ups into the scheme of things so that it enhances overall Internet welfare or benefit as well as facilitates bringing customers from the bottom of pyramid into the Internet fold.

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