

CONSUMER CARE SOCIETY
BENGALURU



1939, 9th MAIN, 27th CROSS, BANASHANKARI 2nd Stage,
BENGALURU - 560070
Phone: 6364928222
E-Mail : ccsbng@gmail.com
Website: ccsbng.org

27th February 2020

To,

Sri. Amit Sharma
Advisor, (Finance & Economic Analysis)
TRAI.

Sir,

Subject:- Comments on Consultation paper on Tariff Issues of Telecom Services

We are a registered CAG of TRAI.

We are pleased to enclose our comments/suggestions on the above consultation paper.

Thanking you,
Yours Sincerely

GOPAL RATNAM V
Secretary
Consumer Care Society



Issues for Consultation

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.

YES. Both the Telecom Service Providers and the Consumers have been adversely affected by the Tariffs regulations enforce now.

Specifically with respect to the consumers, these are the pressing reasons for selective tariff fixation (price ceiling) as elaborated in the later questions.

- 1. The market place is not functioning in a competitive manner and hence the price determination is not efficient. This is because there are players with significant market dominance.**
- 2. There are many consumer segments that now have a significantly higher telecom expenses. For example students and senior citizens. Now their monthly expenses have increased from around Rs. 25 per month to over Rs. 100 per month with their needs remaining the same.**
- 3. The choices to consumers have substantial reduced with a large number of bundled offers and a very few separate offers for voice and data.**
- 4. There is confusion with consumers unable to make judicious decisions as there is lack of transparency in the pricing, especially with bundled offers.**
- 5. There is a pernicious push to consuming data without understanding the consumers needs. An analogy is asking all consumers to buy fuel based vehicles promoting them as a fast option and an advancement and dissuading them to buy cycles, even if they are interested.**

6. Consumers are unable to effectively consume data which is available to them in the bundled offers (upwards of 1 Gb per day) due to poor speed and content. The average data consumption is only around 9 Gb per month. HUGE loss to the consumers.

The valid reasons for price fixation to protect the interest of the TSP are as follows;

1. It is essential to have multiple TSP in the market for the market to function effectively and the consumers to derive the benefits of competition in the marketplace. Hence the TSP should have a fair amount of freedom of fixing tariffs so that they are financially viable in the long term.

2. TSPs tend to provide an adequate return to their shareholders and it is obvious that unless there is a strong possibility of this, TSPs would not make the necessary investment in infrastructure and technology. Again impacting the consumers.

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

YES. The forbearance in tariff policy should be discontinued.

1. Consumers are not able to make rational justified decisions to determine the best plan for their needs because of the bundling of offers.

2. Consumers are losing a substantial portion of the plan charges as they are unable to consume the allocated data due to poor speed and connectivity issues.

3. Consumers are forced to buy data plans which they do not need as it is not “pay as you consume” but “buy what we have” situation.

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.

NO. Fixing a floor pricing across all services and segments of the market, that is a blanket floor pricing is not a consumer oriented solution both in the short and long term.

1. With a very few TSPs, the pricing power of the TSPs has gone up further.

2. As mentioned earlier, the TSPs have been altered the Tariff plans which have effectively increased the telecom expenses of ALL consumers, especially of those who do not use all services of the TSP. This affects the consumers at the bottom of the pyramid.

3. As mentioned in the consultation paper, there was a substantial increase in Tariffs without a predetermined price level, as there players with significant dominant market power (DMP).

4. The behaviour of the TSP indicate there is virtually cartelisation in the market place. There is a need for a Price Ceiling.

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.

NO. There is no need to fix floor price across all services and all categories of consumers.

A price ceiling as outlined in an answer to another question for selective levels of services or user segments is necessary. The TSP have the freedom to fix the prices the market can bear for other segments of consumers.

Q5(a). What methodology should be used to fix floor price by the Authority and why? Please give detailed methodology with calculations and supporting justification.

Not applicable as we feel that floor prices should not be fixed.

Q5(b). If a floor price is considered, what should be the mark up over the relevant costs for arriving at a floor price? Please give detailed calculations and justification for your response.

Not applicable as we feel that floor prices should not be fixed. Price ceiling is needed.

Q6: Considering that cost of delivery of telecom services is likely to be different for different TSPs, what parameters should be considered to decide floor price and why? How can it be ensured that such a floor price fixation exercise does not result in windfall profits to few TSPs? Please give your response with detailed reasoning.

Not applicable as we feel that floor prices should not be fixed.

Q7. Is there a need to fix floor price for mobile data service? If yes, can such floor price be applied uniformly to different categories of subscribers such as retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one? If it cannot be applied uniformly, will it not result in discrimination between various categories of subscribers? Please give your answer with detailed reasons and justification.

Not applicable as we feel that floor prices should not be fixed.

Q8. What should be the basis and methodology for floor tariff fixation for mobile data service? Give detailed justification and calculations for your response.

Not applicable as we feel that floor prices should not be fixed.

Q9. What should be the representative cost for fixing a floor price for mobile data service? Give detailed calculations and justification for your response.

Not applicable as we feel that floor prices should not be fixed. Price ceiling is needed.

Q10. Should fixation of floor price be considered for voice calls also? Please give your comments with detailed justification.

Not applicable as we feel that floor prices should not be fixed. Price ceiling is needed.

Q11. If the answer to Q10 is affirmative, given that different technologies are being used to provide voice services (2G, 3G and 4G), what should be the methodology used to arrive at a floor price for voice services? Please give detailed calculations and justification for your response.

Not applicable as we feel that floor prices should not be fixed. Price ceiling is needed for selective usage of services.

Q12: Should there be any limit on TSPs to offer free offnet calls? Please explain your response with justification.

NO. There should be no limit on TSPs to offer free offnet calls within the plan.

This is because these create distortions in the market place and hinder the smooth functioning of the telecom network. It is also creates a unnecessary complicated pricing structure for the consumers leading to confusion and poor decision making. Further, this is an indirect way of locking-in the consumer.

Q13. If your answer to Q12 is affirmative, how should unlimited voice calls be defined? Please give your comments with detailed justification.

Not applicable as we believe unlimited voice calls should include both on-net and off-net calls.

Q14. If a floor price is considered, should there be any floor price prescribed for bundled offers, including those having unlimited voice calls and data? Please give your comments with methodology and detailed justification.

Not applicable as we feel that floor prices should not be fixed. Price ceiling is needed for selective usage of services.

Q15. If a floor price is considered, should there be a price ceiling also to safeguard consumer interest? Please give your comments with detailed justification.

Partly YES. There is a need for only price ceiling without floor pricing as with the market structure becoming an duopoly and the market players have significant pricing power.

Q16. If your answer to Q15 is in affirmative, what should be the methodology used for fixing a price ceiling for mobile data service, voice services and bundled offers. Please give detailed calculations and justification for your response.

There should price ceiling in for selective uniform offers across the service providers. These should be for of all type of services - Voice, Mobile Data and Bundled offers. We suggest that there be a no-frills basic price for these services as elaborated below.

1. Voice Plans - The unlimited voice plans is a marketing gimmick. It does not make practical sense and also does not address consumer needs. NO consumer would spend their day talking. Further it leads to inefficient usage of scarce resources, since it is provided free as economist would opine. The paper mention that the average consumption of voice services as 352 MOU. More recent survey indicates that the average usage is 820 minutes per subscriber per month.

Our calculations based on the recharge voucher indicate that TSPs charge between Rs. 15 per minute to 1.20 per minute of usage of Voice Service.

We suggest that there be a fixed MOU per month below the average MOU like 500 minutes (both offnet and onnet) in a billing cycle (28 days) which be provided at a rate of Rs. 25 by all TSPs.

THIS WILL ENSURE ALL CONSUMERS ARE CONNECTED AT A LOW COST.

Above this usage the TSPs have the freedom to set their prices depending on the market conditions. Consumers pay on a usage basis above the above limit of 300 minutes.

2. Mobile Data Plans - The Data Plans currently are structured to benefit the TSP and lead to loss for the consumers. With poor coverage and speed, consumption of a large quantity of data is very difficult or impossible. Further there is also paucity of content.

Also there is no roll over of UNUSED data and hence consumers (Pre-Paid) lose a lot of money. Our calculations indicate that the TSP charge from between Rs. 90 to 4 for every GB of data across the various bundled plans with unlimited talk time of different service

providers. This actually acts against POOR consumers who buy cheaper plans in which the cost of Data is highest as the table indicates.

Sl. No	TSP	Amount (Rs)	Total Data (GB)	Cost/GB (Rs)
1	Reliance Jio	98	2	49.00
2	Reliance Jio	129	2	64.50
3	Reliance Jio	249	56	4.45
4	Reliance Jio	349	56	4.15
5	Airtel	149	2	74.50
6	Airtel	179	2	89.50
7	Airtel	249	42	5.92
8	Airtel	349	56	4.75
9	Airtel	398	84	4.74
10	Vodafone-Idea	149	2	74.50
11	Vodafone-Idea	199	28	4.70

- ❖ Data Cost for bundled Plans with unlimited talk time
- ❖ Plans with validity of 28 days only considered.
- ❖ The entire cost of the plan is allocated to Data Services, as all TSPs promote the bundled offers with FREE unlimited talk time. (Voice Services zero cost)

We suggest that there be a Data Plan with a fixed GB for a billing cycle of 28 days which is affordable. A possible option is 5 GB for a billing cycle at a cost of Rs. 25. This works out to Rs. 5 per GB.

THIS WILL ENSURE THAT CONSUMERS HAVE A MINIMUM AMOUNT OF DATA AT A LOW COST.

3. Bundled Offer. We propose that the above two offers if available, a customer can go for bundled offer or stand-alone voice/data offers.

A consumer would get a talk time of 500 minutes and 5 GB of data in a billing cycle of 28 days for Rs. 50. (an illustrative example).

THIS ENSURE CONNECTIVITY TO ALL CONSUMERS, ESPECIALLY THE BOTTOM OF THE PYRAMID AND LOW USAGE SEGMENTS AT A REASONABLE PRICE.

Other than these fixed plans for services, the TSPs are free to set their price for different services and for various segments of consumers.

In case the price of voice or data falls below the above suggested plan prices, then the prices of plan prices would be adjusted. Also the Voice and Data provided can be modified on changed consumer behavior in future. Just like RBI does for no-frills bank account to ensure financial inclusion to everyone.

Q17. Should all the tariff plans (retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one) offered by the TSPs be subject to floor price tariff orders? Please give detailed justifications for your answer.

NO. All tariffs plan should not have Price Ceiling or Floor Price as this will be deny the TSP the freedom to pricing and very importantly may lead to higher price for the consumer.

Other than the suggested plans for the different services in the answer to Q 16, we feel that there should not be a Floor price.

Q18. How can it be ensured that all the tariff plans of TSPs (retail consumer, corporate, tendered or otherwise contracts, segmented and any other including one on one), comply with the floor tariff orders? Please give you response with detailed justification.

Not applicable as floor tariffs is not recommend. Only Price ceiling in a limited usage and for selective consumers. (Low Usage)

Q19. Any other relevant issue that you would like to highlight in relation to the above issues?

Tariffs are the most important factor for many consumers in a value sensitive market like India. Mobile Telecom Services are now an essential service for all consumers (citizens) of the country as these are the only means of communication available. Every few use other modes of communications of mail and emails. For many services and situations, ownership and use of Mobile telephone and services are compulsory.

Hence it is IMPERATIVE that all Consumers (Citizens) of the have access to Mobile Services at a REASONABLE cost with GOOD quality. This will be possible when multiple TSPs operate efficiently and effectively in market place. Also consumer should be protected from arbitrary price increases. This is possible only providing a basic plan for voice and data at a low cost by all TSPs and give the freedom to the TSPs to fix prices for all other type of plans.