

## Re: TRAI Consultation Paper on tariff Issues of telecom sector

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**From :** Jitin Bansal <jitin.bansal@gov.in> Thu, Jan 09, 2020 12:27 AM  
**Subject :** Re: TRAI Consultation Paper on tariff Issues of telecom sector  1 attachment  
**To :** Amit Sharma  
<advfea2@traf.gov.in>  
**Cc :** SKMishra PrincipalAdvisor  
<skmishra@traf.gov.in>

Respected Sir,

In response to your trailing mail seeking comments on the TRAI consultation on "Tariff Issues of Telecom Sector", please find my inputs attached with this mail.

Warm Regards  
Jitin Bansal  
70150-66206

## 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.**

No. The Telecom market after witnessing intense competition/price wars, has now entered a phase of recovery. Two biggest positive developments for the industry have been, the consolidation of the market from 10-12 service providers to the present 3 (+ 1 PSU) player market, and the recent tariff hikes by all existing telecom operators.

The pain points in the industry at this moment are listed below:

i. Deferred Spectrum Instalments – the annual instalments for Vodafone-Idea is presently slightly higher than its annual service revenue, are due over a period of next 15 years. This is dangerous. However, the recent cabinet decision to grant a two-year moratorium on these payments has adequately addressed this issue. The situation is a lot better for Bharti Airtel and RJIL.

ii. The AGR Judgement – This is the immediate trigger for the present turmoil in the industry. This development was sudden and unanticipated. Hence, neither Bharti nor Voda-Idea had done any provisioning for the same (shown only as a contingent liability in their balance sheets). What has made matters worse is the strict timeline laid out by the Apex court to submit compliance report on this matter (23<sup>rd</sup> Jan' 2020).

Again, Voda-Idea is the worst hit, although the dues outstanding for Bharti Airtel are also billions of dollars. It would be difficult for any organisation to raise that kind of money in such a short duration. These operators have already filed review petitions in the Hon'ble Supreme Court. This situation cannot be remedied with a fixing a floor price by the regulator.

iii. Network Upgradation – This is a purely in the business domain of the individual operators, but it is public knowledge that Voda-Idea has been the slowest of the 3 operators to transition from legacy networks into 4G enabled network. This activity is capital intensive and has become even more difficult in the light of the above development. Since this is specific to a particular

telecom operator, any floor price fixation should be done to address this concerns indirectly.

Although the present stress in the telecom sector is largely due to the tariff war since the past few years, the manifestations of this stress, at this juncture, are extremely operator specific and pertain to financing and cash flow issues of individual companies, which cannot be addressed by bringing in a floor price. The Authority may like to investigate the causes for the failure of the existing tariff regulations to prevent the new entrant from offering free services for almost an year in 2016-17. The Competition regulator also needs to check whether any anti-competitive practices have been followed. The government/regulator should not get into the business of fixing tariffs.

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

No. All justifications for following a policy of forbearance are still relevant.

**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.**

The private sector can always innovate to circumvent any such rules, just like offering bundled services in 2016. If the authority still decides to bring in the floor price, it would have to address some of the following concerns:

- If average ARPU of a rural user is lower than the average ARPU of an Urban user, would not such a floor price impact the poor more than the middle or upper class? Would such a regulation be anti-poor?

- Does the authority maintain any break-up of ARPU figures on basis of gender? In case the ARPU of Women users is lower than ARPU of Male users, would not such a floor price adversely impact women users more than men? Wouldn't such a regulation, which causes women disempowerment, be considered anti-women?

- Would such floor price be applicable on the users in areas covered under the USOF funded schemes like LWE, NE?
- Whether Floor pricing would be applicable only on access service providers or would non-access service providers be also included?
- Would MVNOs be brought under the ambit of floor pricing? If not, would such exclusions give scope for any arbitrage?
- Would VAS/Content services be also brought under floor pricing? If yes, then how would floor be fixed for different types of content services? If no, would such exclusion give scope for any arbitrage?
- Would floor pricing be technology specific, i.e. different for 2G, 3G, 4G and 5G services? If not, can the same floor be justifiable for all the above services? If yes, what would be the monitoring mechanism, considering the fact that band specific roll-out obligations have not been recommended by the Authority in its recommendations for the latest Spectrum auctions?
- Would fixed broadband services be also brought under floor pricing? If no, can such a floor price for mobile broadband services lead to a shift of customer base on fixed broadband services. Who are the present dominant market players providing FTTH services who stand to benefit from this shift?
- Would any such floor pricing policy include an equivalent stricter standards of Quality of Service?
- Would operator specific discount coupons/ cashback deals on digital payments platforms be allowed or would these be seen as circumventing the floor price regulation?

**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.

**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 in light of response to Q4 above.

**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 in light of response to Q4 above.

**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 in light of response to Q4 above.

**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.**

The Authority should not fix a floor price. However, if the authority decides to fix a floor price than the same should be different for different class of customers like retail voice customer, retail data services customer, mobile broadband customer, fixed-line broadband customers, enterprise customers, closed user group customers, VNO customers, bundled services customers, etc.

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

No. However, in case the authority decides to fix floor price than such a price should not be fixed only for mobile data services as most TSPs are providing bundled services. Moreover, any floor price solely for mobile data services could give comparative advantage to Fixedline/FTTH service providers. The resultant market distortions would require detailed market study.

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

Same as response to Q8 above.

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

No. However, in case the authority decides to fix floor price than the authority should clearly define a 'Voice call'. Would VoLTE/ Voice over Wi-Fi be considered voice calls?

**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 in light of response to Q10 above.

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

The authority should not fix any specific limits on free offnet calls.

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

Not applicable in light of response to Q12 above.

**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.**

In light of response to Q1-3 above, the Authority may not fix a floor price. Moreover, bundled services offered by TSPs may not be restricted to voice and data services, but may also include content services, In-flight connectivity services, Maritime connectivity services, among others.

**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.**

The Authority should not fix a price ceiling.

**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.**

Not applicable in light of response to Q15 above.

**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.**

Please see response to Q7 above.

**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.**

No comments in light of response to Q7 & Q17 above.

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

No further comments.