

The logo for Reliance, featuring the word "RELIANCE" in white, uppercase, sans-serif font. A small red triangle is positioned above the letter "I". The text is centered within a solid blue rectangular background.

**RELIANCE**

**Comments on Consultation Paper  
On  
Review of Policy of Forbearance in  
Telecom Tariffs**

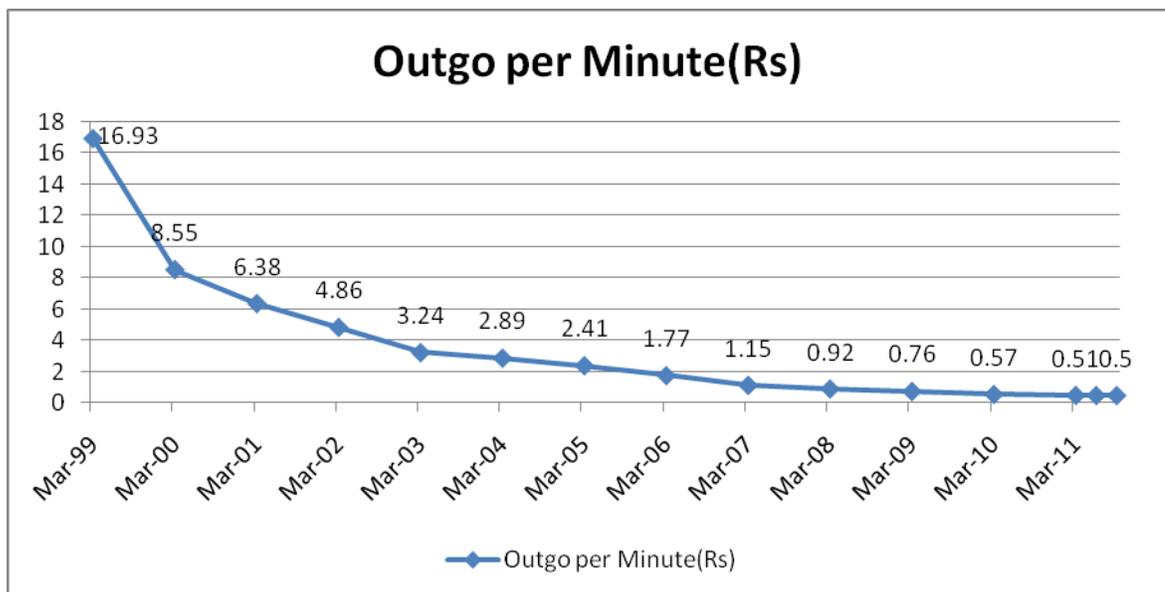
# Comments on Consultation Paper on Review of Policy of Forbearance in Telecom Tariffs

RCOM welcomes the opportunity to comment on Policy of Forbearance in Telecom tariffs. The comments on specific issues raised in the consultation paper are given below:

**1. Do you perceive any need for a change in present regulatory framework for telecom tariff fixation?**

(i) No, RCOM does not perceive any change in the present regulatory framework for tariff fixation. The present policy of forbearance in Telecom Tariffs is working fine and should continue.

(ii) The price regulation can be justified only when telecom market is failing to produce competitive prices. The Indian telecom market is sufficiently competitive and functioning smoothly. The prices over the years clearly establish that and the market prices are efficient and maximizing society's welfare. The chart given below is on total out go per minute which shows continuous downward trend in prices and establishes markets are competitive.



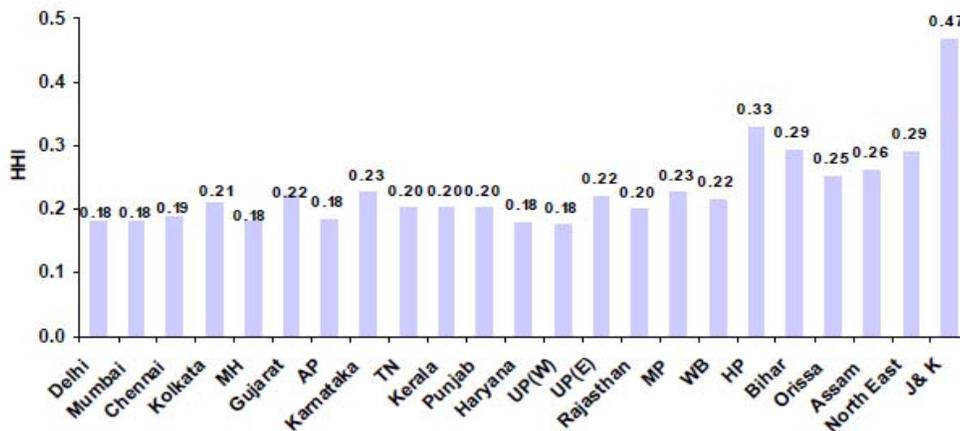
Source: TRAI

(iii) RCOM believes that price regulation should be kept to a minimum in competitive markets. The freely competitive market is better able to meet the demands of consumers than the regulated market. **The advantages of privatization and liberalization witnessed in the telecom sector would be lost if TRAI decides to regulate prices.**

2. **Should TRAI withdraw from the policy of forbearance?**
- &
3. **If yes, what should be the basis of tariff regulation? Should it be by way of specifying a standard tariff package or by way of fixing tariff as a ceiling for individual charging components such as calls, SMS etc. ? Please also suggest the methodology.**

(i) **RCOM suggests that the policy of forbearance should be continued.** There is no need of fixation of tariff either by providing standard tariff package or by introducing a ceiling to the individual tariff components.

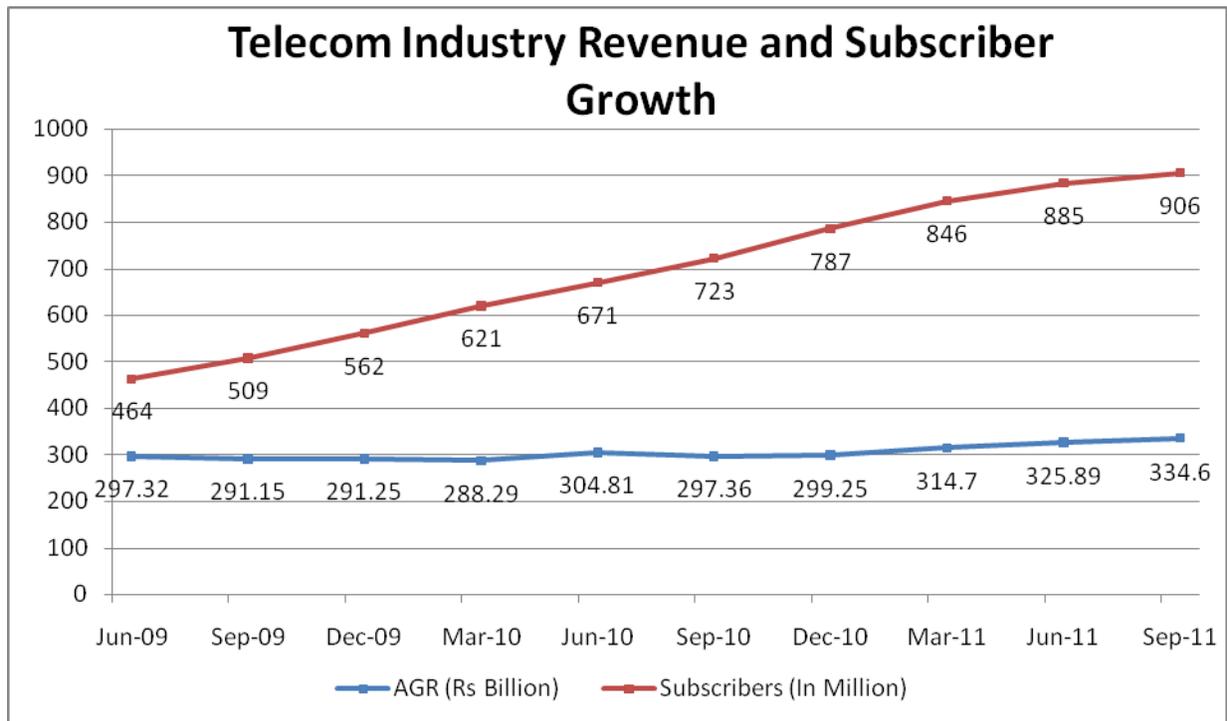
(ii) **RCOM does not agree with the Authority analysis that there is absence of effective competition** despite presence of multiple operators in each service area. **RCOM also does not support TRAI analysis that the recent timing of price hike points towards the prevalence of coordinated price.** The Authority has not given any data to support that the market is not competitive. On the contrary price trends and other competition measures like HHI prove that the Indian Telecom market is competitive. The HHI analysis for various telecom circles is given in chart below which clearly establishes that most markets are competitive.



(iii) The recent price increase is due to steep increase in costs. It is too much of an expectation in case it is always assumed that the tariff trends would never ever reverse, especially when inputs costs and cost of expanding networks is increasing. Price escalation is to be recognized as fact of life especially in this inflationary age. The main factors attributable to the recent price increase are give below:

- (a) increase in operating costs due to very high inflation
- (b) Depreciation of rupee value against all major currencies
- (c) Increase in Finance cost
- (d) constraints in spectrum availability leading higher CAPEX investment
- (e) high 3G spectrum acquisition cost
- (f) increase in cost of regulatory/security compliance, penalties etc.

(iv) The price rise is a response to increase in inputs costs. The service providers are under tremendous financial pressure with declining ARPU, EBITDA and increasing interest burden. Although the telecom market in terms of subscribers has doubled in last two years but the revenue has remained flat. The analysis in the following chart establishes that there is almost no increase in revenues due to fast declining tariffs.



Source: TRAI

**(v) In view of the above RCOM suggests the TRAI should continue with the current policy of tariff forbearance.**

**4. Would tariff regulation affect the ability of service provider to introduce innovative tariff plan?**

(i) **The TRAI's regulation will certainly affect the ability of service providers to introduce innovative tariffs.**

(ii) One example of regulation impacting market is with regard to ban on launch of roaming packs. There is huge market demand for roaming packs from frequent travelers or people staying in bordering areas and frequently roaming in two different service areas. However this demand is not met because TTO (44th Amendment) does not allow alternate roaming tariff with fixed component. **Such regulation certainly put constraints on launching innovation tariff plans.**

**5. What would be the best method of managing the telecom tariffs so as to protect consumer interest even while affording the telecom service providers the necessary flexibility?**

(i) The TRAI should only monitor the telecom market and intervene if tariff offering is not transparent. The consumer should be fully aware of the tariff details.

**(ii) There should be no regulations except relating to the transparency in tariff offerings.**

**6. Is tariff for data services offered by service providers competitive and reasonable?**

(i) **Yes. The tariff for data services offered by service providers is competitive and reasonable.** Service providers are offering number of plans which meet individual requirements based on usage. Few of the tariffs which are on offer are given below:

Day 3G Pack	Rental: Rs 20, free usage 25 Mb
Three day 3G pack	Rental: Rs 65, free usage 65 Mb
Week 3G pack	Rental: Rs 96, free usage 125 Mb
One-Month 100 MB 3G pack	Rental: Rs 100, free usage 100 Mb
One-Month 250 MB 3G pack	Rental: Rs 199, free usage 250 Mb

Pay as you go (3G)	Rental: Rs 0 , 10p/10 kb
Pay as You Go (HSD)	Rental: Rs 0 , 2p/10 kb

- (ii) The Authority has noted that data rates for Pay As You Go user are high but the fact is that these users do not pay any rental and their usage is bare minimum. The pay as you go internet user means that they are to make payment for data actually consumed. Small users opt for pay as you go plan as don't suffer the frustration of feeling that they have wasted money when they are left with lots of unused Mbs of data at the of their data plan.
- (iii) The Pay as You Go subscriber is using only around 2 Mb data per month. The charges for our 3G Pay as go subscriber is 10p/10 kb and for CDMA Pay as You Go subscriber it is only 2p/10 Kb. **Thus the effective rate without rental for pay as You Go user is not very high.**
- (iv) **The Authority's comparison of data plans in terms of Gb is not correct as it is unlikely that pay as you go user will ever consume data in Gbs.**
- (v) Internationally also the Pay as You Go rates are comparatively higher than plans which have rental components. RCOM is not aware of any market in the world which is as competitive as Indian Market but still Regulator decided to regulate prices.

**7. What are the factors that impact competition in data services in the market?**

- (i) The following factors have impact on competition in data services :
  - a. Number of service provider present in a service area. In India in all circles there are large numbers of players providing internet services. The numbers of wireless internet service providers on an average in each market are as under:
    - 3G based broadband services 4
    - CDMA based HSD services 3
    - BWA( To be launched shortly) 3
  - b. QoS/QoE which in turn depends on spectrum holding and other related RoW access restrictions including access to copper local loop.
  - c. Access to Cable Landing Station and Access charges

- d. Revenue Share arrangement between telcos and content providers
- e. ILD bandwidth charges etc.

**8. What can be the possible measures by the regulator for facilitating enhanced competition for availability of data services at affordable tariff?**

- a) Review cable landing excess charges and align these to the costs.
- b) Unbundle copper loop
- c) Allocate sufficient spectrum to ISPs at reasonable rates

**9. Should TRAI regulate tariff for data services by way of fixing ceiling tariff to protect the interest of the consumers? If yes, what should be the basis and justification for tariff fixation?**

- (i) No, TRAI should not regulate tariff for data services as it is competitive and customer has lot of choice to choose service provider and tariff plan.
- (ii) The data plans are available bundled with free data usage or Pay as Go plan. Subscriber has lot of choice of plans and service i.e 3G, HSD, Edge etc. The Pay as you Go charges are comparatively higher as subscriber has no monthly commitment on usage and there is no rental.
- (iii) The availability of large number of plan and even unlimited plans clearly establish that market is competitive. The competition is likely to get even more intense as new BWA operators are likely to enter the market shortly.
- (iv) At this stage all wireless and wireline subscribers are still rolling out services in many new areas. Any price regulation at this stage will be retrograde and impact investment in this sector. This will also limit the service providers ability to expand the broadband market.
- (v) **It is therefore suggested that there should not be any price regulation on data services.**