January 17, 2013

Comments on Pre-Consultation Paper on Review of Tariff for National Roaming

GAJENDRA UPADHYAY

INDIVIDUAL COMMENTS AS AN INDUSTRY OBSERVER & REGULATORY PROFESSIONAL

To

Shri Raj Pal,

Advisor (F&EA), Telecom Regulatory Authority of India

Reference: TRAI's Consultation Paper No. 17/2012 of December 20, 2012

Dear Sir,

With reference to the above pre-consultation, wherein comments have been sought on issues related to pricing of national roaming calls, I am pleased to submit my individual views on the broader regulatory aspects for your kind consideration.

The telecom sector has come a long way from the days of NTP-1994, when affordability and availability were the key considerations and spread of telecommunications infrastructure was the primary criteria. Today, with mobile teledensity tending towards 75% and nearly 900 million mobile subscribers across the country, prices in the sector have almost entirely been driven by competition – especially in the last ten years. There has been minimal need for regulatory intervention, except to check stray cases of irrationality.

In the above context therefore, it is essential to consider whether 20 years after economic reforms were introduced and 18 years after the telecom sector was liberalized, defining of prices through regulatory and policy interventions is at all desirable.

The National Telecom Policy 2012 mentions "One Nation, Free Roaming" as one of its key objectives but this relies heavily on the implementation of a whole array of other policy and licensing changes like a single telecom license.

In the absence of any substantial licensing changes, and unless the TRAI is able to establish market related malpractices or irrational pricing that harms consumers, intervention should be avoided.

On the specific questions raised by TRAI, my inputs are as follows:

(i) Should the present cost based approach for determining tariffs for national roaming continue?

Intervention in market driven pricing mechanisms should be avoided unless absolutely essential to rectify malpractices, which in any case does not seem to be the reason for this exercise.

A "cost based" approach has been the basis for all rational, regulatory pricing interventions of the TRAI in the past and so it should not deviate from this principle, if it decides to set benchmarks for roaming prices at all.

(ii) In case your response to issue (i) is in the affirmative, what cost components should be included in the determination of such charges? You may also comment on the information sought by TRAI from the service providers in the proforma placed at Annexure.

No comments.

(iii) In case your response to issue (i) is in the negative, what should be the alternative approach for determining tariff for national roaming? Please support your view with a detailed methodology.

My principal contention is that intervention in market driven pricing mechanisms should not be resorted to and competitive forces allowed to play, unless there is a systemic breakdown.

(iv) In your opinion, should the burden of the cost for the incoming call be removed from the roaming subscriber? If yes, how should this cost be recovered? Would removal of the burden of the cost for the incoming call while roaming lead to an increase in overall call traffic across the country?

It can be seen from TRAI's data that barely 8% of the telecom sector's revenues are on account of roaming. 80% of the usage is within the circle (no roaming).

In the worst case scenario, where TRAI feels it essential to fix a price, it may want to extend the provisions of the 51st amendment to the Telecom Tariff Order (TTO) 1999 to roaming calls. In effect, ensuring that there is a choice available to customers where users pay only for what is consumed – through a per-second rate for roaming calls.

A little bit of history to substantiate the above view.

In September 2002 there were only 8.5 million mobile subscribers in the country when TRAI judiciously decided to step aside and allow market forces to determine prices.

Apart from allowing implementation of tariffs first and reporting it later, it permitted market forces to play on prices instead of itself fixing telecom rates. It recorded its reasons for doing this in the 23rd amendment to the TTO:

> *The Authority considered two important characteristics of the growth of cellular market, namely the relatively higher growth of pre-paid subscribers in comparison to post-paid subscribers, and the fact that there has been considerable increase in the level of competition in a number of service areas. This trend is likely to be more pronounced in all service areas in the near future, with the entry of the incumbent (BSNL) as the third operator and a private operator as the fourth. The Authority also noted that CMTS will face some degree of competition also from the Wireless in Local Loop with Limited Mobility. ….Taking note of this emerging market scenario, the Authority is of the view that a stage has been reached, when market forces can effectively regulate cellular tariff and the Regulator has to step aside except for a broad supervision in the interest of the consumer.*

Thus today when the numbers are a hundred times larger, keeping away from, rather than intervening in, market practices, should continue to be the key to effective tariff regulation.

At this stage of market evolution, TRAI should only be guided by exceptions such as cases of malpractices that cause consumer harm.

It should not adopt fixing of prices as a regulatory tool.