



Association of Unified Telecom Service Providers of India

AUSPI/12/2012/027

9th March, 2012

Dr. J S Sharma
Chairman,
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
Next to Zakir Hussain College
New Delhi – 110 002

Sub: AUSPI's Response to TRAI's Consultation Paper No. 02/2012 on Review of Policy of Forbearance in Telecom Tariffs

Dear Sir,

We welcome TRAI's consultation paper on Review of Policy of Forbearance in Telecom Tariffs and pleased to enclose our views.

TRAI policy on telecom tariff has paved the way for phenomenal growth in the telecom sector of our country. This has happened due to the perseverance of the TRAI in going ahead with the forbearance policy in telecom tariff. We, therefore, believe that any further regulatory intervention will only curtail the free growth of service.

We are pleased to enclose herewith our question wise response on the issues raised by the TRAI in its consultation paper and request the Authority to kindly take our views into consideration while coming out with recommendations / regulation on the above subject.

Thanking you,

Yours faithfully,



S.C. KHANNA
SECRETARY GENERAL

Copy to:

- 1) Shri R. Ashok, Member, TRAI
- 2) Shri R. K Arnold, Member, TRAI
- 3) Shri Rajeev Agrawal, Secretary, TRAI
- 4) Shri Lav Gupta, Pr. Advisor (TD), TRAI
- 5) Shri Sudhir Gupta, Pr. Advisor (MS), TRAI
- 6) Shri Raj Pal Advisor (ER), TRAI
- 7) Shri A. Robert J. Ravi, Advisor (QoS), TRAI



**AUSPI'S RESPONSE TO THE TRAI CONSULTATION PAPER NO. 02/2012 ON
REVIEW OF POLICY OF FORBEARANCE IN TELECOM TARIFF**

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

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2) Should TRAI withdraw from the policy of forbearance?

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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.

TRAI's progressive policies of forbearance have nurtured the growth of the industry and have allowed the tariffs to come down to amongst the lowest in the world thus making the Indian Telecom industry to become the 2nd largest in the world.

AUSPI holds a view that present regulatory regime of forbearance is working perfectly well, as it is evident from the various plans introduced in the ever growing telecom sector in our country **which is offering one of the most affordable tariff in the world.**

The existing tariff regulatory frame work is almost 13 years old and has been instrumental in ushering healthy competition. This sector has many innovative tariff plan e.g. 1 paisa per second voice calls which is extremely affordable.

With enough competitive force prevalent in a service area with almost 11-12 operators, forbearance is working extremely well. Please recall that forbearance was introduced when there were 2 -4 operators in a service area.

Like, prices of all other commodities are susceptible to changes due to inflation and other macroeconomic parameters, so are telecom tariffs. The Indian Telecom market is one of the few telecom markets to offer per second tariff plans with tariffs as low as half paisa per second. However , with such level of competitive tariffs, operators still felt the need to make slight adjustments in tariffs to bring in line with increased input costs. **Hence, it would be unfair to implement forbearance on a conditional basis i.e. forbearance only if tariffs reduce and regulatory intervention when they increase.**

AUSPI strongly denies any coordinated move on the part of the industry to increase prices. It should be noted that slight hike in tariffs, which itself has been



a rare exception was undertaken by different operators at different points of time. The price increase was marginal and not a co-ordinated activity by the service providers based on some of the factors like rising rate of interests, higher costs of power and fuel, decline in revenue and return on capital employed (ROCE), higher cost of customer acquisition, higher spectrum usage charges, security compliance, rollout of 3G services etc.

We strongly believe that the existing regulatory policy of forbearance in telecom tariffs should continue.

4) Would tariff regulation affect the ability of the telecom service providers to introduce innovative tariff plans?

Regulation will hamper the innovation in designing and evolving the different tariffs plans for different segment of masses.

Yes Sir, one such example is the ban on launch of roaming packs which certainly put constraints on launching innovative tariff plans for customers.

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?

TRAI has already ensured sufficient competition and competition itself is the best guiding force for managing telecom tariffs. A sufficiently competitive market ensures efficient operations by all market participants while ensuring fair and transparent pricing for subscribers. Therefore, we strongly believe that the best way to efficiently manage telecom tariff is to leave it to market forces.

Thus, we feel that, regulating retail tariffs are not justified on any economic grounds and, if attempted, regulation would be against the principles of competition laws.

6) Is tariff for data services offered by the service providers competitive and reasonable?

Yes, the tariffs for data services offered by TSPs are competitive and are designed to suit the different requirement of consumers.

UAS Licensees are not the only one providing data services but there are also sufficiently a large number of ISPs, providing the data services and data services are available in various formats, using different access technologies each of which has a specific target audience.

Even though the Authority has observed that data rates for Pay As You Go user are high but 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 so that they don't suffer the feeling of frustration that they have wasted money when they are left with unused Mb of data as per their data plan.

Our member service providers are giving alternative affordable tariffs to their consumers which are reasonable and competitive. **Thus the effective rate without rental for pay as You Go user is not very high.**

Our member service providers have stated that, the pay as you go subscriber spends only around Rs 20 per month on data usage. For high end user, there are separate plans for which per MB charges are quite low.

AUSPI is of the view that there is no need to regulate prices for data services since the tariffs are competitive and reasonable.

7) What are the factors that impact competition in data Service in the market?

The main factors that may affect the competitiveness of data services are as follows:

- (i) Number of operators
- (ii) Access to copper loop and RoW
- (iii) Allocation of sufficient spectrum
- (iv) Access charges for cable landing stations
- (v) Bandwidth charges

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

The possible measures by the regulator for facilitating enhanced competition are as follow:

- (i) Unbundled local loop
- (ii) Allocate additional spectrum for internet services
- (iii) 900 MHz should be immediately refarmed for broadband services.

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?

We strongly believe that there is no need for any regulatory intervention for regulating prices. India, today is standing at the threshold of a data revolution. 3G in India is commercially available. LTE / BWA spectrum has recently been auctioned and commercial services are expected soon. All existing service



providers are offering high speed internet service in their respective service areas. In addition, wire line service and cable based internet service are also available.

Government has already accepted TRAI recommendations on Digitalization of cable services and setting up of National fibre authority for backbone fibre network which would further result in growth of services and would result in affordable tariffs.

With so many options for data services, the tariffs are affordable. Any further regulatory intervention will only curtail the free growth of data services and investment in this sector.
