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Ref No: RP/ FY 19-20/062/802
Dated: 28.02.2020

To,
Shri Amit Sharma,
Advisor (Finance & Economic Analysis),
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg, Old Minto Road,
New Delhi - 110002.

Subject: Consultation Paper on 'Tariff Issues of Telecom Services.'

Dear Sir,

This is with reference to your above-mentioned consultation paper. In this regard, please find enclosed our response for your kind consideration.

Thanking You,
Yours' Sincerely
For **Bharti Airtel Limited**

Amit Kushwaha

Amit Kushwaha
Vice President - Regulation & Compliance

Encl: a.a.

Bharti Airtel's Response to TRAI's Consultation Paper on "Tariff Issues of Telecom Services"

We thank the Authority for releasing this critical consultation paper. Connectivity has now become a basic necessity. The 'Digital India' vision recognizes this requirement and seeks to transform India into a digitally empowered society. This is a fundamental enabler in helping achieve the Government's vision of making India a global economic powerhouse by 2024-25 putting India on the road to being a 5 Trillion Economy. A ubiquitous broadband network (for all) lies at the heart of this Digital India vision; this requires substantial investments in building best in class digital infrastructure through deployment of the latest technologies, including 5G. In this context, please find below our response to the questions raised in the consultation paper

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.

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

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.

Bharti Airtel's Response:

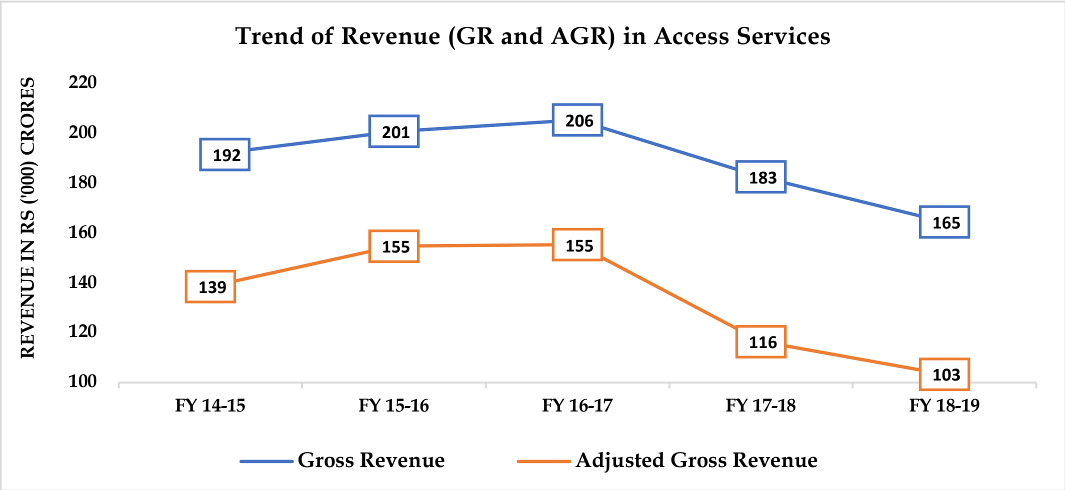
Historically, the Indian telecom industry has been a proponent of forbearance for tariffs. This has served the industry and customers well, leading to India being one of the leading countries that have driven innovation and growth in Telecom.

At the current moment, however, the industry is facing a huge existential and financial crisis. This has been caused by cut throat competition due to 'below cost' pricing. Operators have bled simply because there was no option – Either recover costs and lose market share dramatically or attempt to protect the business but go into mounting losses. Events have come to such a pass that in the last 3 years, the industry has seen unprecedented consolidation, shut down of several operators and a cumulative return on capital that is now deeply in the red. At the same time, the industry has seen ever increasing growth of data traffic which has necessitated even more investments to give customers the experience they crave for. To address the digital India vision, Telecom operators will play a critical role in being the spine for connectivity and services. This vision is now at jeopardy given the precarious financial situation. To correct this situation, operators have a simple choice of raising tariffs unilaterally. However, given the extremely competitive nature of the market this is easier said than done. This is why we believe we need an unprecedented intervention in terms of orderly conduct of the players. The only way to realise this orderly conduct for now is through the fixation of floor tariffs. This will go a long way to restore the financial health, allow for the massive investments needed and to enable the realisation of the Digital India vision. However, we strongly believe that after two years the industry must go back to tariff forbearance. Our recommendation is to therefore have a clear time bound floor price which migrates back to forbearance at the end of two years. We believe that once industry health is restored, the Indian consumer will be well served by the innovation that tariff forbearance naturally provides.

1. Precarious Financial Health of the Telecom Sector:

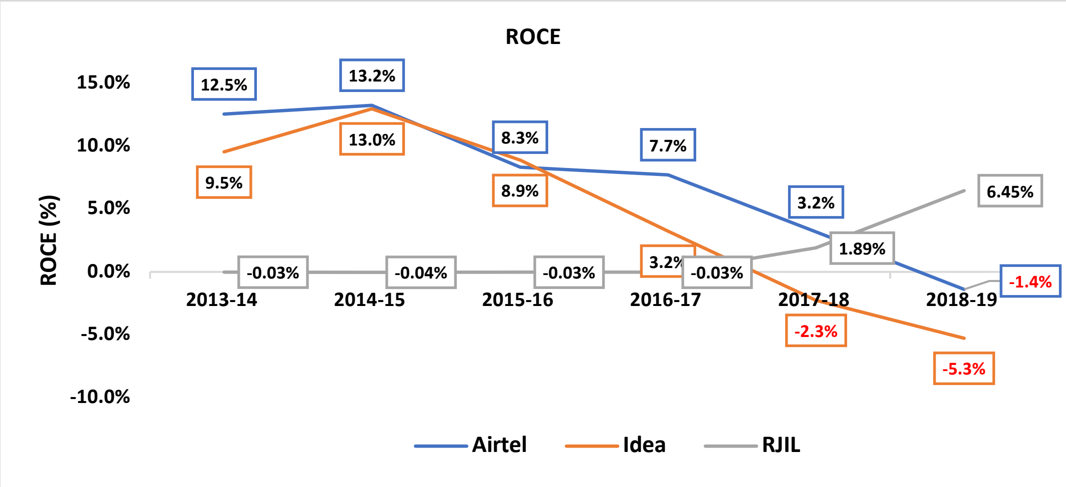
Indian telecommunication sector has seen 64 times increase in data over the last 3 years. Despite such growth, the financial indicators - Industry Revenue, ROCE and Debt suggest that the Indian telecom industry is broken. This is why several operators have gone bankrupt or merged.

- **Industry's Revenues:** Following chart shows how industry's revenues has decreased from Rs. 1.92 Lakh Crores in FY 14-15 to Rs. 1.65 Lakh crores in FY 18-19. In the same period, **Industry's AGR** has decreased from Rs. 1.39 Lakh crores to Rs. 1.03 Lakh crores.



Source: Financial Reports published by TRAI on quarterly basis

- **ROCE:** ROCE for the industry is as shown below:



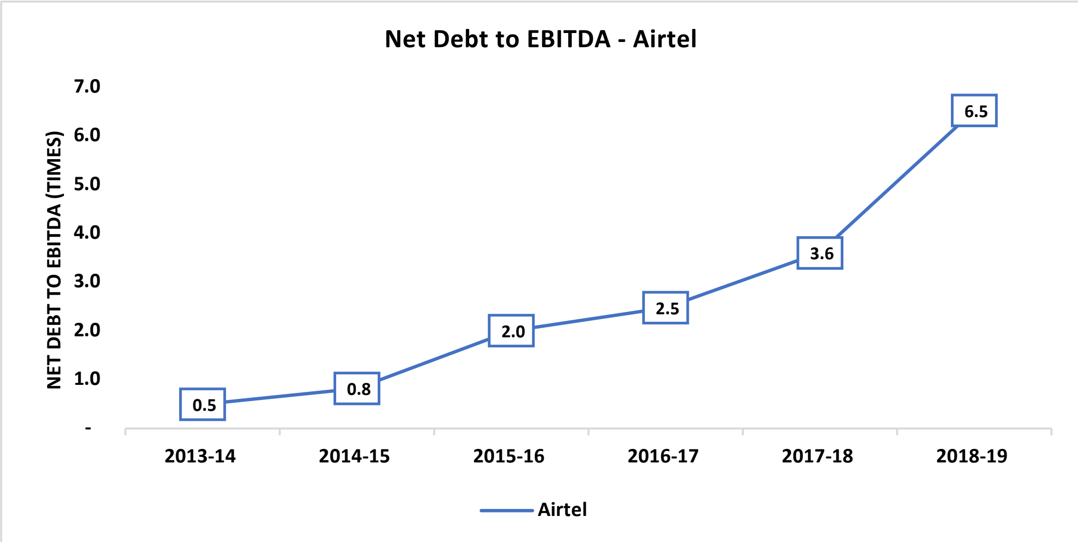
Source: Basis the Standalone Annual Financials of the operators. In FY 2018-19, Idea includes Vodafone as the merger was effective from 31st August 2018

- **Industry Debt**: The cumulative **debt** that has increased from Rs. 4.6 Lakh crores in FY 16-17 to Rs. 7.7 Lakh crores while the Industry's **EBITDA** is only around 22%. After spending on capex there is no money to make interest payments let alone generate a return.

- **Deterioration in Airtel Financials**: Airtel has witnessed a significant deterioration in its financials over the last 4-5 years. A few critical parameters have been compared to show the damage done.

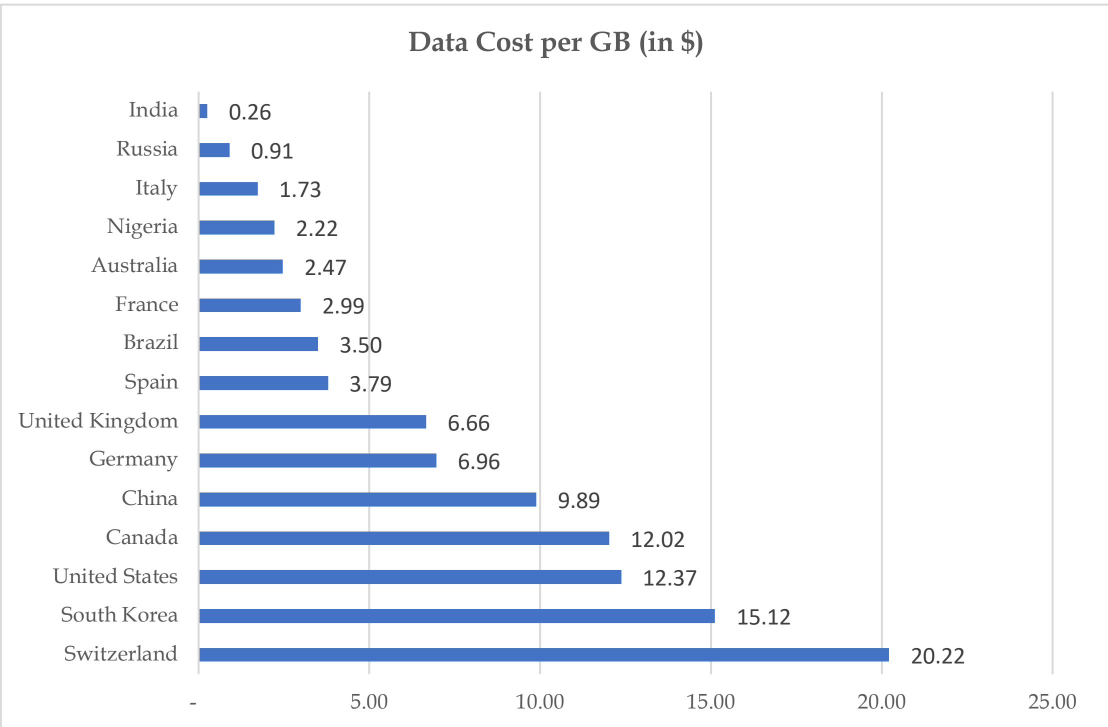
Particulars	Q3 (2014-15)	Q3 (2019-20)	Q3 (2014-15) vs Q3 (2019-20)
Customers (Mn)	217	283	1.3x
Minutes (Bn MOUs)	267	759	2.8x
Data Consumed (Mn GBs)	75	5,417	72.2x
Revenue (Rs. Mn)	139,952	134,797	0.96x
Finance cost (Rs. Mn)	2,848	29,258	10.3x
PAT (Rs. Mn)	22,788	(33,881)	NEGATIVE
Total borrowing (Rs. Mn) (Consolidated)	659,388	1,464,724	2.2x

Over a four year period Airtel has seen no revenue growth but a massive 80,000 crores of capex to cope with the surge in traffic. This has led to a significant deterioration of financial health as reflected in the Net Debt to EBITDA position shown below:

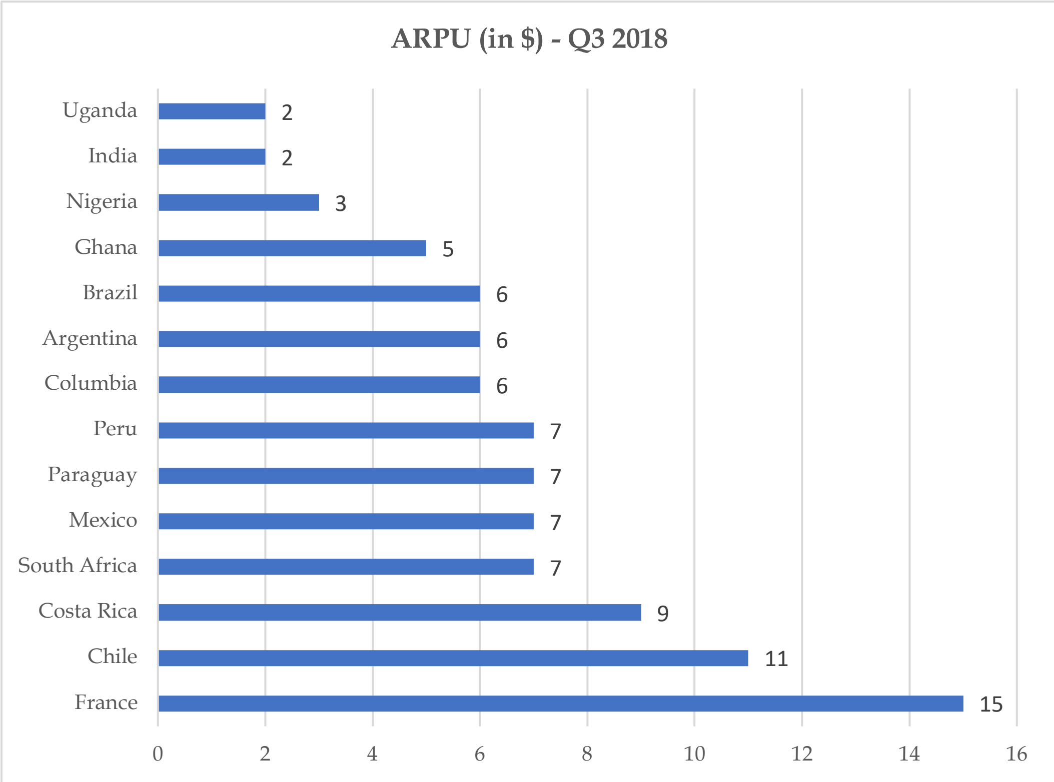


Source: Debt basis the Standalone Annual Financials; EBIDTA basis Global Wireless Matrix, Bank of America Merrill Lynch (30th April 2019)

2. **Current Pricing / Tariffs are lowest in the world and unsustainable:**
Despite the massive growth in data consumption Indian tariffs are the lowest in the world (even after the recent tariff increases). As a consequence, ARPU of the Indian telecom industry still remain one of the lowest in the world.



Source: cable.co.uk (FY-2018-19)



Source: https://www.statista.com/statistics/668966/mobile-average-revenue-per-user-by-country/

3. **Massive Investments required for network growth:**
   With rising consumption of data, the industry needs to make substantial investments in network expansion to improve quality and customer experience. We estimate that the industry requires in excess of 1 Lakh Crores (excluding spectrum) in just 18-24 months to expand existing networks. Further, to achieve the vision of Digital India, the industry will have to invest heavily in 5G technology/spectrum. These investments are contingent upon the availability of sufficient funds within the companies which is simply not possible given the current precarious state of industry.

To summarize, in this highly competitive industry – Indian telecom operators have gone through a spiral of below cost pricing. Current tariff levels are one of the lowest in the world and have led to significant deterioration of industry's financial health. This limits industry's ability to invest for the future. To enable the 'Digital India' vision, corrective action is required to improve industry's financial health for now. For operators to themselves act sensibly and raise tariffs is very difficult given the brutal competitive intensity. We therefore believe that a temporary intervention by TRAI for a two year period so as to ensure orderly conduct has become essential to restore a dying industry. A floor price fiat is a simple intervention to enable this orderliness and sustain a vibrant industry. We believe that in two years TRAI should enable the industry to go back to tariff forbearance.

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.

Bharti Airtel's Response:

We would like to bring to the notice of Authority that the realized rate per GB has been declining quarter on quarter due to steep increase in consumption (which in turn requires incremental investments in network capacity). The situation is so dire that most operators are deeply in the red. In December, 2019 there was a tariff increase after three years of a brutal price war. This increase on the face of it seemed like a rise of 20-25% on prepaid packs. However, the revenue increase from this hike is likely to be in the range of 10-15%. As a consequence, while the recent tariff increases may stem the fall in rate per GB we do not believe it will go up in any material way. This will mean that the economics do not change, and that we are still selling below cost and that the ROCE will still be negative. It is also clear that investments will need to be sustained with the growth of the internet eco system, the need to expand networks and bring in 5G. Supporting these investments will not be possible therefore even with this modest tariff increase. Even more worrying is that, there is always a risk (historically proven) for tariffs to roll back. Hence, we strongly believe that despite the recent tariff increase, floor pricing is required for now.

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

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.

Bharti Airtel's Response:

TRAI should primarily consider a cost based methodology to ensure that telecom operators are able to make desired ROCE of 15% (This is the normal assumption taken by TRAI in past calculations of costing) so that operator financials are not stressed and they are able to invest for expansion of existing capacity as well as for newer technologies like 5G.

The Authority in Para 2.19 has indicated the data cost per GB for the leading TSPs from the Accounting Separation Reports (ASR). The use of ASR for such a costing exercise is inappropriate given the dynamically fast changing environment. We explain our reasons below.

The Regulation on Accounting Separation Reports was last revised in Jun 2016. Even when the last revision was carried out, the market was primarily voice driven. The mandate to bifurcate revenues and costs in various products such as rental, voice calls, SMS, VAS, data, wholesale interconnection, roaming, leased circuit, site sharing etc. clearly reflect that the product classification even in Jun 2016 remained largely voice centric. Since, a bulk of the revenue of operators was derived from Voice, it was logical to have such a classification back in Jun 2016. However, the market has undergone a dramatic shift since Jun 2016.

In the last couple of years data has become the primary source of revenue and almost all our investments are being directed to serving the growing usage of data. This is why allocation of costs into various products on the basis of historical contribution of revenue that was largely voice centric is inappropriate and does not reflect the current reality of the industry.

This is further compounded by the accelerated migration of customers from Talk time products to bundled packs. In the current ASR a significant portion of revenue accruing out of bundles is being reported in rentals which is not in line with the current reality. Additionally, IUC/ Wholesale voice revenues contains Inter-circle Airtel Roaming revenues which has no bearing on customer realizations and therefore further distorts the outcome.

Hence, the Accounting Separation Reports as mandated under the regulations require a complete revision considering the changed environment so as to make it meaningful and representative for arriving at the right cost.

The table below tries to capture the shifting trend with respect to usage and resource allocation in the last 4 years:

	Apr-Mar '17	Apr-Mar '18	Apr-Mar '19	Apr-Dec '19
Avg. Monthly (MOU) in ('000) Crs	10.0	11.9	20.1	23.9
Avg. Monthly Data (in GB) in Crs	5.4	29.1	88.0	158.1

	Mar '17	Mar '18	Mar '19	Dec '19
VoLTE to Voice Traffic (%)	0%	0%	13%	28%
Liberalized Spectrum				
- 2G (in MHz un-paired)	165	165	152	120
- 3G (in MHz un-paired)	312	312	382	110
- 4G (in MHz un-paired)	630	750	960	1,274
Total (in MHz un-paired)	1,107	1,227	1,494	1,504
% Liberalized spectrum on 4G	57%	61%	64%	85%
BTS				
- 2G ('000)	157	162	177	187
- 3G ('000)	121	132	118	61
- 4G ('000)	68	167	291	395
Fiber ('000)	230	238	281	300
Transmission Capacity (Tbps)	2.0	7.5	15.8	22.1
Microwave capacity (Tbps)	8.2	13.1	21.9	36.9

Highlights are as below:

- In about three years, while average voice usage per month has increased from 10 thousand crores to 23.9 thousand Crores (2.4x increase), data consumption has grown from 5.4 Crore GBs to 158 Crore GBs, a growth of 29.3x.
- From a totally circuit switched calling network, VoLTE now accounts for 28 percent of overall voice traffic.
- From 57 percent of liberalized spectrum being used for 4G in Mar-17, there has been an accelerated re farming of 2100 and 900 band spectrum leading to 85% of spectrum being used for 4G in Dec-19. It is worth mentioning that the switch to 4G has accelerated in the last 12 months from 64 percent to 85 percent. In fact, Airtel has switched off its 3G network in many circles already.
- The number of 4G eNodeB's have increased considerably from 68,000 in Mar-17 to 395,000 as on Dec-19. All our investments are being directed on 4G.
- Similarly, all fiber, transmission and microwave capacity is now being directed entirely to 4G.

In sum, all investments have seen a significant skew towards data over the last 8 quarters with rapidly changing industry dynamics. Relying on ASR and historical cost bifurcation based on past allocation of what constitutes voice revenue simply does not reflect the right picture. Further, the allocation methodologies adopted by various operators also vary significantly and will therefore not be a benchmark to consider. **In such a scenario, ASR allocation as an approach to arrive at the cost of data is inappropriate.**

Instead, we suggest that the Authority use the audited quarterly/ yearly financials of the TSPs, which are more accurate and relevant for this purpose. More importantly we urge the Authority to consider a more realistic and accurate representation of data costs as outlined below. Our proposal is to use the following methodology:

a. Data is now the primary revenue stream for TSP's. With voice revenues declining in the last few years all costs will increasingly go to serve data growth
b. The total cost of operation will have two components – One is direct costs which has a clear correlation to data growth. Direct costs include, network running costs, sales commissions, cost to serve the customer (Call centre, billing, collection, Content and bad debt), IT costs, spectrum amortization and depreciation.
c. Second is Indirect costs. These include Employees, marketing and other miscellaneous charges. The growth of these costs will not be in direct proportion to the growth of data consumption.
d. All revenue streams adjusted for license fees which are not linked to data must be excluded from the total costs. We propose a conservative approach where voice costs are equal to revenues earned from voice and this is reduced from the total cost.
    i. We therefore propose that all outgoing bundled voice minutes be costed at 6p for now because it is the maximum that is possible to earn from it regardless of the cost.
    ii. Any voice revenue that is specifically metered will be taken on actuals
    iii. All actual revenues from International roaming (Both in and out), site sharing etc. to be excluded from total costs.
    iv. Net access revenue (Paid vs Received) to be excluded.

e. Capital employed is taken as sum of all equity plus all borrowings – this is as per standard accounting definition
f. Once the total cost of production of data is arrived at, we propose to mark this up with an expected return on capital employed (At least 15%) based on normal considerations that TRAI has used in its costing exercises.
g. This will yield a cost per GB as given in the table below:

Items	*Unit of measure*		Value
Direct Costs	*in Rs. Crores*	*A*	9,120
Indirect Costs	*in Rs. Crores*	*B*	462
Total costs	*in Rs. Crores*	*C=A+B*	9,582
Net Voice revenue	*in Rs. Crores*	*D*	3,791
Net Costs	*in Rs. Crores*	*E=C-D*	5,791
Capital Employed	*in Rs. Crores*	*F*	1,78,453
ROCE of 15%	*in Rs. Crores*	*G=Fx15%*	6,692
Target realisation	*in Rs. Crores*	*H=E+G*	12,483
Target realization after grossing up for LF/ SUC @13%	*in Rs. Crores*	*I=H/(1-13%)*	14,348
Total Data consumed	*in Crores GBs*	*J*	472
Cost per GB	*In Rs.*	*K=I/J*	30

Note: Quarterly figures as per financials for Q2 2019-20

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.

Bharti Airtel's Response:

We are not in a position to comment on the cost of delivery for other TSPs. This comparison may not be relevant as well since companies use varying accounting practices. We do not believe therefore that any TSP is in a position to get windfall profits.

Notwithstanding this, TRAI may consider aggregating the financials of all TSPs while normalizing the same for any differences in standard accounting practices to arrive at a representative and comparable cost structure. The totals costs so derived may then be used to arrive at data pricing as per the method detailed in response to Q5.

In any case, we believe that through this exercise, an operator with a leaner cost structure must be rewarded. This would in fact serve as an incentive for all operators to improve and optimize cost of delivery.

Finally, we would anyway strongly recommend that the floor price be fixed only for a period of two years after which we may revert to tariff forbearance.

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.

Bharti Airtel's Response:

As detailed above, we recommend that the floor price be set for mobile data services. It is critical that the floor price should be made applicable to all categories of tariff plans (i.e. retail consumer, corporate, tendered or other contracts, segmented and any other including one on one). In some cases, there are long term contracts that have been entered into between TSP's and customers. However, with a regulatory change these contracts will be null and void and such contracts will have to be entered into afresh. This is critical to ensure effectiveness of implementing the floor price.

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

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

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.

Bharti Airtel's Response:

<u>Core Principles:</u>

The most critical need for the industry is to restore the financial health. Our estimate is that after the recent tariff increases of December 2019, Airtel will need an additional ARPU of Rs. 80 to return a 15% ROCE.

We would like to re-emphasize that any price increase will not fully flow through to revenue, in the short term, given that there will some customer down-trading, reduction in

data consumption etc. **If there is down trading this will have impact on lower capex. We strongly believe that over time however (12 months or so) customers will adjust to the new reality and consumption will go back up**. Our models therefore assume that whatever intervention is done, consumption will restore to the current levels over a period of time.

We have proposed three potential approaches to floor price ranging from a full recovery of 15% ROCE to a part recovery. The change in pricing to customers will vary from a very high level to a moderate level across three approaches. The flip side is that the relief to the industry in terms of recovery of cost will also reduce proportionately.

Our principles for floor price can be articulated under the following tenets:

1. There must be a Minimum Subscription charge (MSC) for customers. This will enable operators to recove the basic cost of providing a network to customers. At the current point there is already a MSC of between 45 and 75 Rupees for 28 days of service.
2. Unlimited voice will be priced at 60 Rupees per month. This is because the average usage is 1000 minutes and cost of voice is treated as 6p per minute. Metered calls will be under forbearance
3. Customers must pay more for data as they use more.
4. There must be an incentive for every low-income user to get some access to data so that internet literacy is increased.
5. For plans beyond 28 days it is proposed to have it in multiples of 28 days. These plans can be entitled to a maximum discount of 15 percent.

In specific, there could be three approaches to floor price fixation:

Approach 1: Fixed Price Model

In this approach we recommend that the floor price of data be equal to the cost of production of 1 GB of data – 30 Rupees. **The advantages of this approach** are that it will be easy to govern and implement. Plans will be simple and easy to understand. Customers who use more will spend more. There is a good likelihood that consumption will be moderated. However, we believe that network quality will improve dramatically. The **challenges of this approach are** that consumption could decline in the short term. Of course, given the essential quality of telecom, consumption will go back up over a period of time.

Under this approach:

1. There should be a Minimum Subscription charge (MSC) of Rs. 75 This will allow the customer to receive calls and SMS for a period of 28 days (Referred to Month hereafter)
2. In case, unlimited Voice is bundled with the pack, it is proposed that we charge Rs. 60 per Month for the same (as explained in the principles above).
3. Further, there should be a floor price set at Rs. 30 per GB, in line with our response to the cost of production of a GB of data (Rs. 30 per GB)
4. Every subsequent GB will be priced at a floor of Rs. 30/GB
5. Long validity plans (56 days and above) will be at a discount of 15 percent max.
6. With this approach, the floor for Voice Unlimited bundle with 1 GB of data in a Month will be Rs. 165 (Rs. 75 – MSC, Rs. 60 – Unlimited Voice and Rs. 30 for 1 GB of Data)

Basis these guiding principles, Annexure I includes sample tariffs for Approach 1.

We expect that this approach will lead to a full cost recovery on a steady state basis and deliver a steady state ROCE of 15 percent. This will allow the industry to invest into 5G networks and deliver world class experience to customers.

Approach 2: Telescopic Price Model (Pay less as you use more)

The concept behind this approach is that there is an incentive for higher data usage in order to make it customer friendly and propel consumption. The **advantage of this approach is that it encourages data consumption at marginal price.** A second advantage of this approach is that the price increases would be more moderate than Approach 1. The only challenge in this approach is that the industry will not recover the full cost of the GB based on current consumption profile. We propose that the slabs of data pricing be structured as below :

- First 5 GB data at Rs. 30 per GB per Month
- Next 5 GB data at Rs. 20 per GB per Month
- Next 5 GB data at Rs. 10 per GB per Month
- Subsequent blocks of 5 GB data at Rs. 5 per GB per Month

Basis this, Annexure II include sample tariffs for Approach 2.

We expect thatblended price per GB in this approach will be approximately Rs. 22 based on current consumption. We believe that with this steady state ROCE will be around 10 percent.

Approach 3: Current Price Model

In this approach the fundamental concept is to raise ARPU and revenue from where it is, so that the industry gets some relief. The idea here is to stay with the current daily GB pack constructs. We propose that the constructs of daily GB packs essentially go up so that there is a transition path which customers are able to absorb easily. The **advantage of this approach is an easier glide path.** The **disadvantage of this approach is that the industry is able to recover even less of its cost than Approach 2.**

Below are the guiding principles for Approach 3:

1. There should be a Minimum Subscription charge (MSC) of Rs. 75 This will allow the customer to receive calls and SMS for a period of 28 days (Referred to Month hereafter)
2. In case, unlimited Voice is bundled with the pack, it is proposed that we charge Rs. 60 per Month for the same (as explained in the principles above).
3. The first GB is priced in line with the floor price of Rupees 30/GB – so the unlimited voice pack comes at 165 with 1GB data.
4. The starting per day GB pack (1 GB per day) for a month moves up from 219 to 349.
5. Every half GB per day thereafter is priced at Rs. 100/ month
6. Long validity packs (multiples of 28 days) are discounted at a max level of 15 percent.

We estimate that the blended price per GB will go up to about 19 Rupees based on current consumption profile. We believe this approach will deliver a steady state ROCE of around 8 percent.

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

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.

Bharti Airtel's Response:

Voice used to be major source of telecom revenues in the past. However, today its contribution to total revenues has dropped sharply. Further, with the deployment of new technologies, voice is also being carried as data. With this convergence in place, data is already the mainstream revenue for telecom operators. We, therefore, do not propose any specific floor price for voice and voice price may be kept under forbearance. At any rate we would recommend that even data tariffs must come back to forbearance in two years once the industry health is restored.

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

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

Bharti Airtel's Response:

While we have recommended voice to be under forbearance, there are bundled packs which have unlimited voice. Hence, there will be a requirement to add a voice price component, in order to arrive at the overall floor tariff.

At present, 6p/min is the IUC charge fixed by TRAI. Therefore, we propose that in case of any operator bundling unlimited voice minutes [i.e. >= 1000 minutes per Month (28 Days)] in their tariff plans – a Rs. 60 per month charge may be fixed towards the same. This is considering existing average usage of 1000 minutes/ Month. Further, note that there is no need to charge consumers who use >1000 minutes. 1000 minutes is based on an average and thus it is unfair to charge consumers who use more than 1000, given we are not refunding unused minutes to consumers who are using <1000.

To summarize, we recommend to include Rs. 60 per month towards voice charges in case of bundled pack with unlimited voice. No limit to be applied on TSPs to offer free off-net minutes. Any charging of calls, outside the unlimited bundle pack, may be left to the discretion of the operator given the broader over-arching recommendation of tariff forbearance on voice.

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. And

Q16. If your answer to Q16 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.

Bharti Airtel's Response:

We do not believe that a price ceiling is required for the following reasons:

- **Product Bundling/ Direct Carrier Billing** – Telecom, over the years, has also served as a payment collection mechanism for related products – e.g. Value Added Services, Collaboration tools for Enterprises, OTT content etc. In this scenario, there is no technical way of defining a ceiling. If such a ceiling is defined, each operator will need to seek TRAI approval/ sign-off, which will be impractical and un-workable.

- **IoT, M2M:** Over the course of the next few years, M2M applications will grow rapidly. The data usage in such applications is very small but the cost of serving such devices will still have an absolute value divorced from the rate per GB. Many of these applications today give an ARPU of 20-25 Rupees but the consumption is much lower than a GB. To introduce a ceiling for such applications will be impractical and lead to chaos in implementation.

- **Competitive market** – The basic premise of a price ceiling is to ensure that services are priced affordably. As asserted above, India has one of the lowest tariffs for voice as well as data. Further, the justification to initiate this consultation exercise is that the hyper competition has led to tariffs being below cost. The customer also has an option to exercise his/her right to select the operator of choice. Further, we believe that in two years upon restoration of industry health tariffs must be back to forbearance. Under such circumstances, it would not be advisable to have a ceiling price.

In fact, we would go so far as to say that if there is a consideration of introducing a ceiling price, then the Authority may continue to leave all tariffs of voice and data under forbearance and not introduce a floor price.

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.

Bharti Airtel's Response:

The floor price should be made applicable to all categories of tariff plans (i.e. retail consumer, corporate, tendered or other contracts, segmented and any other including one on one). This is critical to ensure effectiveness of such an intervention. Further, we recommend that the following shall be enforced:

a. **Effective date for Withdrawal of Existing Plans**: TRAI must fix an effective date by amendment to existing TTO, from which all existing plans (Corporate, Consumer, Segmented, Tendered or otherwise contracts and any other) for mobile Telephone Services of all operators shall stand withdrawn.
b. **Validity of Current Plans**: All plans should cease at the end of validity of existing fully paid plans (for pre-paid). Post-paid and corporate plans should cease at the end of the billing cycle.
c. **End of Tariff protection**: Currently, operators have to comply with 6 months protection requirement for tariff change. This mandatory tariff protection requirement should be waived, once we set the floor price.
d. **Prior Approval of Tariffs**: Operators to submit to TRAI any new plans that are to be launched. It will be considered deemed approved if no objection is received from TRAI within 48 hours of submission.

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.

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

Bharti Airtel's Response:

To ensure simple governance around tariff plan compliance, we recommend that the measurement should be on simple and transparent criteria outlined in our three approaches. No extra allowances of data can be given beyond the floor price. This is applicable for all platforms and channels. This will enable easy monitoring.TSPs can self-certify that all tariff plans comply with floor tariff orders. TRAI can also check the compliance through its regular Metering & Billing audit.

Annexure – I: Sample tariffs basis Approach 1

S No	Present Tariff	Validity	MSC (in Rs.)	Voice Charge (in Rs.)	Data Floor (in Rs.)	Discount (in Rs.)	Floor Tariff (in Rs.)
1	Only incoming call and SMS	Month	75	-	-	-	75
2	Unlimited Voice, 1 GB data	Month	75	60	30	-	165
3	Unlimited Voice, 5 GB data	Month	75	60	150	-	285
4	Unlimited Voice, 10 GB data	Month	75	60	300	-	435
5	Unlimited Voice, 15 GB data	Month	75	60	450	-	585
6	Unlimited Voice, 10 GB data	2 Month	150	120	300	85	485
7	Unlimited Voice, 20 GB data	2 Month	150	120	600	130	740

Note: 1 Month is equal to 28 Days

Annexure – II: Sample tariffs basis Approach 2

S No	Present Tariff	Validity	MSC (in Rs.)	Voice Charge (in Rs.)	Data Floor (in Rs.)	Discount (in Rs.)	Floor Tariff (in Rs.)
1	Only incoming call and SMS	Month	75	-	-	-	75
2	Unlimited Voice, 1 GB data	Month	75	60	30	-	165
3	Unlimited Voice, 5 GB data	Month	75	60	150	-	285
4	Unlimited Voice, 10 GB data	Month	75	60	250	-	385
5	Unlimited Voice, 15 GB data	Month	75	60	300	-	435
6	Unlimited Voice, 20 GB data	Month	75	60	325	-	460
7	Unlimited Voice, 10 GB data	2 Month	150	120	300	85	485
8	Unlimited Voice, 20 GB data	2 Month	150	120	500	115	655

Note: 1 Month is equal to 28 Days

Annexure – III: Sample tariffs basis Approach 3

S No	Benefit	Validity (1 Month = 28 days)	Proposed Floor Price (in Rs.)
1	Only incoming call and SMS for a Month	Month	75
2	Free all Local + STD call, 1 GB data	Month	165
3	Unlimited Voice, 1 GB data/day	Month	349
4	Unlimited Voice, 1.5 GB data/day	Month	449
5	Unlimited Voice, 2.0 GB data/day	Month	549
6	Unlimited Voice, 2.5 GB data/day	Month	649
7	Unlimited Voice, 1 GB data/day	2 Month	593
8	Unlimited Voice, 1.5 GB data/day	2 Month	763

Note: 1 Month is equal to 28 Days