

Subject: Pre-Consultation on “Allocation of Spectrum in 2G band in 22 Service Areas by auction”

We at VOICE as part of our advocacy initiative in Telecommunications continuously raise different issues with Policy makers impacting consumers based on the knowledge through Consumer feedbacks.

As registered CAG with TRAI we are in forefront of providing inputs to TRAI related to consumer concerns and interests.

In continuation of this effort on behalf of telecom consumers we at VOICE would like to take into account the following requirements.

1. Section 11 of TRAI Act requires that TRAI should recommend **“measures to facilitate competition and promote efficiency in the operation of telecommunication services so as to facilitate growth in such services”**
2. Section 11 (i) of TRAI Act requires that TRAI should **“protect the interest of the consumers of telecommunication service”**

Keeping in view above sections of TRAI Act we at CONSUMER VOICE have following comments-

1. The new licenses were envisaged in keeping and increasing competition in telecom industry for overall benefit of consumers in terms of minimum cost and best quality **AND this should be actively maintained / continued.** To reiterate once again
 - a. The degree of competition in the market in different circles needs to be maintained as well as improved.
 - b. The spectrum allocation policy is in the nature of an entry barrier to the industry.
 - c. Auction is desirable for price discovery which should also result in enhancing overall competition in the market.
2. Only entities whose licenses have been cancelled should be allowed to participate in the bidding process thereby ensuring that these 6 new operators (Uninor, Videocon, Loop, MTS, Etisalat, S Tel) can restart / restore their services in all the 22 circles and level of competition is maintained. **We are in favor of allowing any new entrants to enter the market as well on the assumption that greater competition will protect consumer’s interest.**
3. **Larger operators who already enjoy a lion’s share of the market should not be allowed to enter the auction** as the degree of competition would reduce and provide ability to individual incumbents to set the price in reduced competition. (As they have already done in the recent past and threatening to increase call rates again).
4. TRAI must clearly ensure that **larger operators are not allowed to enter the market through proxies or associated companies.** The definition of associated companies having linkages to large operators needs to be specified (in view of cases of loop, swan etc.) to ensure that level and degree of competition is not reduced.
5. **Policy should facilitate continuation of these 6 new licensees in all the 22 circles so that number of service providers does not reduce in any circle.**

6. Since maintaining competition is the major consumer concern we at VOICE request following to be considered-
 - a. TRAI may take inputs from Competition Commission of India on issues relating to competition on how high degree of competition can be maintained through basic entry conditions in this industry.
 - b. TRAI consultation paper on this issue should include a section on competition issues, market concentration and price competition in the telecom market. It should also include the following aspects of these issues which by no means are comprehensive:
 - i. An analysis of the circle wise competitive situation with market shares of different incumbents during last few years value and volume wise.
 - ii. Price movements in the prepaid and postpaid markets in each circle over the period for which data is available.
 - iii. Trace the history of price competition in different circles and elucidate the factors which have caused the mobile prices to fall from levels of Rs 7 to Rs 9 per minute in the distant past to 30 paise per minute at present.
 - iv. Demonstrate the effect of the entry of the new entrants and other factors in different circles on per minute call rates by comparing the pre entry and post entry prices and points at which the prices began to fall.
7. We earnestly hope that you will include the competitive market situation and price competition aspects of the mobile market and its impact on consumer welfare in focus during the consultation and include it comprehensively in the consultation paper.
8. We are also sending a copy of this memo to the competition commission of India in order that they become alive to the competition issues relevant to the exercise that TRAI has initiated.

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