

Bharti Airtel Ltd.

India & South Asia

Airtel Center, Plot No. 16,

Udyog Vihar, Phase - IV,

Gurugram - 122 015

www.airtel.in

Call +91 124 4222222

Fax +91 124 4248063



Ref No: RP/FY 17-18/062/341

Dated: 1st May 2017

To,

**Shri Kaushal Kishore,
Advisor (F&EA- II),
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
J.L. Nehru Marg, Old Minto Road
New Delhi - 110002**

Subject: Airtel's Counter Comments to TRAI's Consultation Paper on 'Regulatory Principles of Tariff Assessment'

Dear Sir,

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

Thanking You

Yours Sincerely
for **Bharti Airtel Limited**

A handwritten signature in blue ink, appearing to read 'Ravi P. Gandhi', with a horizontal line extending to the right.

**Ravi P. Gandhi
Chief Regulatory Officer**

encl.: as stated above

Bharti Airtel Limited's Counter Response to TRAI's Consultation Paper on "Regulatory Principles of Tariff Assessment"

At the outset, we would like to thank the Authority for providing us with an opportunity to submit our counter-response to this Consultation Paper. We hope that TRAI will consider our submissions favourably.

1. One of the stakeholders has argued that no tariff, including below-cost or free offers, can be termed as predatory.
2. In this regard, we respectfully submit that predatory pricing, as defined in the tariff orders, is directly related to the absolute cost of producing the service. Thus, predatory pricing should be construed as the offering of a service which is priced 'below cost' by a service provider, irrespective of its market share and size or the technology used. IUC is an important component of the cost in a CPP regime, since the originating operator is required to pay the same to the terminating operator for call termination. Therefore, IUC-compliance is important in the context of off-net calls. Thus, any non-IUC compliant off-net tariff is a predatory tariff.
3. Further, the termination charge is critical for the sustainability of the sector. It should be enough to enable the terminating operator to recover its cost while also taking into account the traffic pattern being witnessed in the telecom industry. A termination charge that does not meet these principles in a CPP regime, could enable any telecom operator to use its competitors' networks to skew the competition through predatory/below-cost/below-IUC tariff pricing.
4. During the last IUC review in 2015, TRAI had observed a traffic asymmetry of the order of 4-14% between the operators carrying the majority of the traffic, and had prescribed the below-cost termination charge. The following graph shows the level of asymmetry in voice traffic between Airtel and other operators:

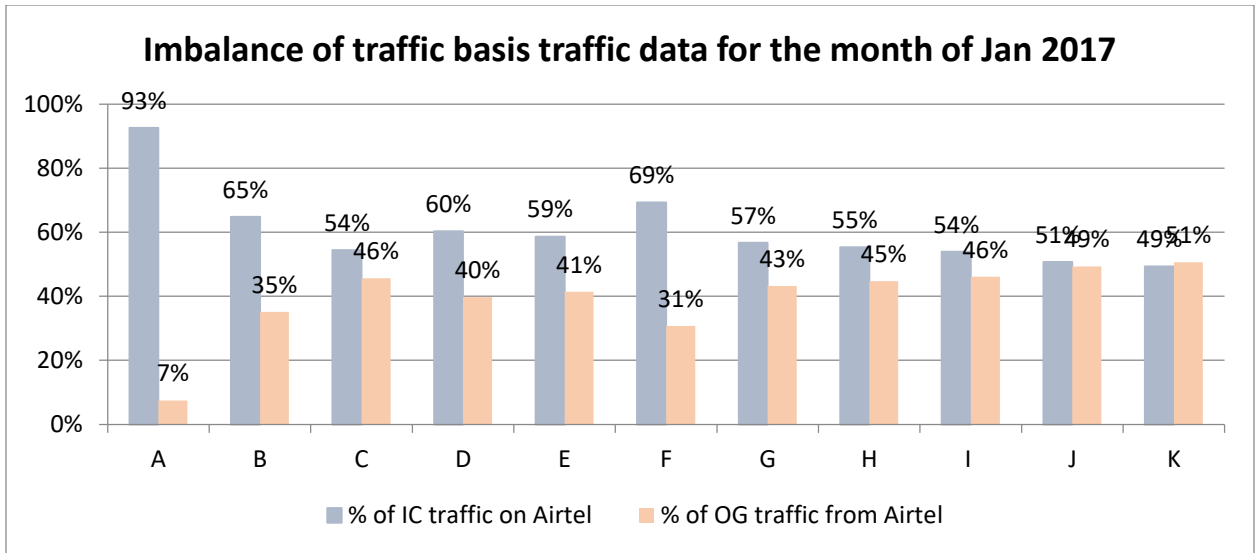


Figure: Asymmetry of Traffic between Airtel other operators

- The current IUC regime, which is below cost, has become ineffective due to the highly asymmetric traffic, of the order of 93% (incoming): 7% (outgoing), due to the new entrant's provision of completely free/below-cost/predatory tariffs.
- The per-minute cost of half the leg of the call, whether outgoing or incoming, is approximately 35 paisa/minute for Airtel's network. Due to TRAI's fixation of the termination charge for an incoming call at 14 paisa/minute, Airtel incurs a loss of 21 paisa/minute for each incoming call. Therefore, an asymmetry of such enormous magnitude has ended up causing huge losses for Airtel. The table below shows the traffic trend for the last few months and the losses incurred by Airtel on its account. It indicates that the traffic imbalance between Airtel and the new entrant was in the ratio of 93:7, i.e., 86% of the calls handled by Airtel allowed for only partial recovery of costs, resulting in direct losses for Airtel.

Month	Incoming Local MOUs on Airtel from New Entrant (in Crs)	Outgoing Local MOUs from Airtel to New Entrant (in Crs)	Difference in Local MOUs (in Crs) [I/c-O/g]	Loss to Airtel (in Rs. Crs) @21 Paisa per minute
Jul-16	7	1	6	1
Aug-16	24	2	22	5
Sep-16	50	4	47	10
Oct-16	185	12	173	36

Nov-16	356	25	331	69
Dec-16	555	40	515	108
Jan-17	694	56	638	134
Feb-17	754	63	691	145
Mar-17	975	85	890	187