



F.No TRAI CORRES/1/2012/16

Dated 24th February 2012

The Secretary,
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg, Old Minto Road,
New Delhi – 110 002

Kind Attn: Advisor (ER)

Subject: Consultation Paper on Review of Policy of Forbearance in Telecom Tariff

Dear Sir,

This is in reference to the Consultation paper dated 6th February 2012 on the above mentioned subject. In this regard, please find enclosed our detailed response to the questions raised in the instant paper.

We sincerely hope that our views will be given due cognizance by the Authority. We would be obliged to address any further queries in this regard that you may have.

Thanking you,

Yours sincerely,

Satya Yadav
Additional Vice President – Corporate Regulatory Affairs
Tata Teleservices Limited

And

Authorized Signatory
Tata Teleservices (Maharashtra) Limited

Encl: As above.



Issues for Consultation:

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

The existing tariff regulatory frame work is almost 13 years old and has been instrumental in ushering healthy competition especially in mobile tariffs. We believe that the Authority had acted proactively and in timely fashion whenever market dynamics demanded regulatory intervention. The current framework of tariff forbearance was instituted in 2002 and the same has played a pivotal role over the years while providing the required flexibility to operators to provide innovative tariff plans.

However, Authority's instant initiative of initiating this consultation paper is bit of a surprise. Way back in 2002, when only 2 to 4 cellular operators were present in each circle, the Authority in the 24th Amendment to the TTO dated 6th September 2002, noted:

"...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."

On the other hand, presently the number of cellular service providers / UAS Licensees has increased to 12 in almost all service areas. It is only but surprising that the Authority felt the need to intervene in such a competitive market especially considering the fact that the same Authority found the market to be sufficiently competitive way back in 2002 with only 2-4 operators in each circle.

Therefore we strongly feel that the there is no need of any regulatory Intervention as far as telecom tariffs are concerned and no change in the existing regulatory framework and policy is needed in such a competitive market.

2. Should TRAI withdraw from the policy of forbearance?

As mentioned in our earlier response, we strongly urge the Authority to continue with the policy of forbearance because of the following reasons:

1. Cellular market is sufficiently competitive so even if tariffs ceilings are specified, the rate offered in the market would be much lower than the specified ceilings thus negating the very rationale of tariff regulation. A similar situation exists today in the case of national roaming tariffs. Even though ceilings of Rs.1.40/minute, Rs.1.75/minute and Rs.2.40/minute have been mandated for incoming, local outgoing and STD outgoing respectively, the roaming tariffs offered by operators are far below the specified ceilings. Even in the case of leased circuits, the operators often offer substantial discounts which have brought down the leased circuit tariffs much below the applicable ceilings. Under such circumstances, any tariff fixation exercise would be futile and useless.
2. Authority in the instant paper has noted that the trend of declining tariffs is levelling out and average outgo per minute is not decreasing any more. It is to be noted that tariffs have seen a sharp declining trend from Rs.16/minute to 1 paisa/second (Rs.0.60/minute) and such decline cannot continue forever. Tariffs offered by



operators are often a function of costs incurred by operators for provision of services. We have already submitted our representation to the Authority that inputs costs for various heads have increased due to constant inflationary pressure and declining value of rupee against other international currencies. Mere slowing down of declining trend of tariffs does not by any means indicate reduction in competition or presence of any ulterior motive of operators.

3. Like prices of all other commodities are susceptible to changes in inflation and other macroeconomic parameters, so are telecom tariffs. TTA has been pioneers of PER SECOND tariff plans and has always been in the forefront to offer most affordable tariffs to the common man. However, we also have felt the need to have a constant watch on inputs and operating costs and make slight adjustments in our tariffs. We are sure, other operators are also doing the same as a result of which tariffs in certain segments of service had to be revised. It should be noted that the hike in tariffs, which itself has been a rare exception was undertaken by different operator at different points of time which rules out the possibility of the hike being 'co-ordinated'.

In light of the above, we would again re-iterate that the policy of forbearance should be allowed to be continued.

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.

Not applicable.

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

Reverting back to a regulated tariff regime will not only curtail the ability of operators to offer innovative tariff plans but will also deprive subscribers especially prepaid subscriber to avail tariffs custom tailored to their needs.

Telecommunication services today cater to subscribers from all socio economic segments and regions. Usage pattern, requirements, affordability and other aspects differ greatly within these segments. Various tariff plans that we design usually caters to a specific segments targeting specific needs. For example the usage in the North East, WB, vis a vis Rajasthan, Punjab Southern states is very different.

Therefore, operators should be allowed to retain this flexibility which would be pivotal for further growth of telecommunication services.

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?

We believe the best way to efficiently manage telecom tariff is to leave it to market forces. With mobile number portability in place, telecom subscribers today have the widest choice



to choose his service provider. There cannot be a more efficient mechanism to protect consumer interest.

The Authority would have noted multiple SIMs scenario which clearly indicates that subscribers are very intelligent, well informed and use multiple service providers to avail benefits of lowest tariffs or schemes.

Any regulatory intervention at this point will prove to be counterproductive to consumers and also the telecom operators. Under these circumstances it is vitally important to ensure a light handed regulation.

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

It may be noted that when speaking of data, not only UAS Licensees are providing data services but there are at present 184 Internet Service Providers who are also providing data services. Therefore, there is no doubt about the fact that the data services market is hyper competitive.

As of today, every UAS Licensee has upgraded the network to provide at least basic data services. Furthermore, a wide range of technologies are currently available for subscriber to choose from. Some of the most popular data access technologies are:

- GPRS / EDGE
- UMTS / 3G
- HSIA
- WiMax / LTE (spectrum has been auctioned, commercial services are soon expected to be available)
- ADSL / ADSL 2+
- Dial Up

Not only the data services market is competitive but it has become very affordable for end users with cost of access devices coming down(despite falling value of rupee) mainly due to subsidies offered by data service providers.

7. What are the factors that impact competition in data service in the market?

There are 2 main factors that may affect the competitiveness of data services, namely, number of operators and availability / deployment of access technologies.

Under present condition both the demand and supply side of data market in India is sufficiently developed. On the supply side, all UAS Licensees have already deployed GPRS / EDGE networks to provide basic data connectivity in all circles of operation. UAS Licensees with 3 G spectrum have already deployed third generation high speed data networks. Data services are also widely available through USB data dongles / modems and other access devices like tablets. All this is also complemented by high speed Internet through wireless modems/dongles and ADSL technologies which is primarily meant for non-mobile / home or enterprise usage.



On the demand side, we have seen robust growth and consumer uptake of mobile data services over the past few years. As per data released in TRAI's performance indicator report for QE September 2011, 373.84 million subscribers are already using some form of wireless data services which is a substantial number in itself and not to mention that this figure does not include Internet access provided by ISPs.

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

As in the case of voice tariffs, it would be most prudent to leave market forces decide tariffs for data services as well, especially considering the amount of competition present.

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?

As pointed out above, there is no valid reason for regulating data tariffs. What needs to be ensured is that terms and conditions and tariff details should be communicated to subscriber in a transparent manner.

It is pertinent to also mention that it would not be justified to compare 1 GB of data accessed on mobile phone with that of 1 GB data accessed on a computer through an ADSL connection. Both the application and cost structure of these services are very different and differ basis the access technologies used. The following comparative table will illustrate the difference:

Technology: ADSL / ADSL 2 +	GRPS / EDGE / 3 G / HSIA
1. Primarily meant for home / enterprise use which is non mobile	1. Meant for mobile data access
2. Meant for data intensive applications and heavy downloads	2. Meant for short bursts of usage on the small screen.
3. Average data usage can be in multiple giga bits per month.	3. Average data usage on mobile phones rarely cross limit of 1 GB per month.
4. Pulse rate for data charges are usually in Rs/MB	4. Pulse rate is usually paisa/Kb since usage is meant for short bursts of traffic.
5. Cost of provision of service is very insignificant since spectrum is not required in the last mile which is usually copper.	5. Cost is substantially more since precious 2 G / 3G spectrum is used in the last mile.
6. Very low tariff is possible due to the obvious cost advantage.	6. Tariffs would seem very high if 10p/10 Kb is translated to giga bits but it is to be noted that such connections are not meant for high data usage applications.

In light of the above, we would like to urge the Authority to keep a watchful eye on the data services market while allowing operators to continue under the principle of FORBEARANCE for data services as well.