



CONSUMERS GUIDANCE SOCIETY

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Recognised by : Telephone Regulatory Authority of India (TRAI), New Delhi, Securities Exchange Board of India (SEBI) Mumbai,
Petroleum & Natural Gas Regulatory Board (PNGRB), New Delhi.

Member : Drug Advisory Counsel & Food Advisory Counsel.

A REGISTERED, RECOGNISED, NON-PROFIT AND NON-GOVERNMENT ORGANISATION

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Date :

The Consumer Guidance Society, Vijayawada hereunder offers its comments and suggestions on the consultation paper entitled " **Tariff Issues of Telecom Services.**"

1. We earnestly feel that the present scenario in the Telecom Sector necessarily demands the intervention of the TRAI in Tariff fixation to safeguard the interest of Telecom Consumers as well as Telecom Service Providers for the under mentioned reasons.

(i) The Telecom Industry has undergone a huge transformation during the last immediate preceding decade resulting in a sea change in the structure and nature of the Telecom Sector. Consequently, the Telecom Industry has almost become oligopolistic in nature with a few big players. All this has invariably given an ample scope for big entities to manipulate, distort, twist, distort and abuse the market by indulging in blatant restrictive trade practices to adversely affect competition in the long run to gain unjustly at the loss and detriment of multitude of consumers, apart from seriously disturbing level playing field in the sector. Hence, there is tangible absence of perfect competition in the Telecom sector, resulting in intentional distortion, manoeuvring and manipulation of market by certain big entities, enjoying a big share in the overall market. Hence, the present stage, structure and functioning of Telecom sector invariably demands regulatory interference not only for the benefit of consumers but also for the benefit of Telecom service providers for ensuring level playing field. If timely regulatory intervention is not made by the regulatory body, then it may lead to clandestine collective price fixation on the part of Telecom service providers, given the oligopolistic nature of market place and which may expose the consumers to unexceptionable hardships by imposing unjustified costs on them.

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2. There is definitely a need for change of TRAI's policy of forbearance in tariffs due to significant changes taking place in the Telecom sector which include *inter-alia*: oligopolistic nature of market, likelihood of clandestine collective price fixation by Telecom Service providers, recent simultaneous hike in tariffs by Telecom service providers, adoption of predatory pricing by dominant players in the position and unorganised condition of Telecom subscribers, and enforcement of predatory pricing by dominant players in the market for acquiring more dominance to stifle competition in the future and actuated to impose unjustified costs on consumers. All these above factors cumulatively demand the interference of regulatory agency to change its existing policy of forbearance on selective basis in the best interests of consumers.

3. Yes, the fixation of a floor price is in the best interests of Consumers as well as Telecom service providers for ensuring a level playing field in the sector and also for sustaining completion. However, fixation of floor price shall be on selective basis and it must be limited initially only to Data services, given the blatant and brazen Unfair and Restrictive Trade Practices egregiously indulged in by dominant players to abuse, distort and exploit the market for their own advantage by seriously undermining the level playing field.

4. The TSPs recently have almost simultaneously hiked their tariffs, pinpointing a tacit understanding or arrangement among them to raise the tariffs. Hence, there is a distinct feasibility that TSPs may indulge in tacit collective price escalation of tariffs to the loss and detriment of consumers and which needs to be aborted at the budding stage itself. Hence, it is imperative to fix floor price despite the fact that TSPs have recently enhanced their tariffs, without taking consumers into confidence at any stage.

5 (a) The methodology to be designed and adopted by the regulatory agency should be transparent and in the best interests of all the stakeholders, by laying increasing focus on the interests of consumers. Hence, such methodology adopted must invariably take into consideration the actual cost of providing such service based on authentic and accurate data and a reasonable appreciation on capital invested. Further, such methodology must give a reasonable

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opportunity to consumers, CAGs and Civil Society Organisations to freely articulate their views, opinions and expressional.

5 (b) The relevant costs for arriving at a floor price shall be arrived at after taking into reckoning the average actual price incurred by TSPs and reasonable appreciation on capital invested. However, in fixing floor price, any variable costs shall not be taken into consideration under any circumstances. Further, such floor price shall be *Sui generis* to our country by discarding the established practices in the developed countries.

6. The difference in cost of delivery of telecom services provided by different TSPs shall not be taken into consideration, when such difference is owing to their own inefficiencies, want to effective utilization of resources, unreasonable waste of resources – both physical and human. Hence, the parameters that are required to be taken into consideration must be uniform for all TSPs, except when such difference in pricing is due to increasing commitment to fulfil social obligations towards vulnerable segments. Hence, any additional costs incurred for meeting social obligation must necessarily be taken into consideration.

7. It is imperative to fix floor price for mobile data services, given the present stage and development of the market. However, such floor price need not be uniform in regard to all category of consumers. Discrimination in floor pricing applicable to various categories of subscribers may be allowed provided it is supported by a reasonable classification aimed at achieving an object beneficial to the public at large or for overall efficiency of the economy or in the best interests of the nation. However, when such discrimination is unconscionable, arbitrary, capricious and whimsical than it should not be countenanced.

8. The methodology adopted should be transparent and it should inspire the confidence of consumers.

9. The actual cost of delivery of such service along with a reasonable appreciation on capital invested should be taken into reckoning.

10. No. There is no need for fixation floor price for voice calls as all the TSPs are almost offering unlimited calls. Further, a preponderant of Telecom subscribers only opt for voice calls and a large chunk of such

consumers belong to vulnerable category. Apart from this, the possibility of resort to restrictive trade practices in the voice calls segment is very little and therefore, no need for floor fixing. However, if situation changes in future then it may be considered.

11. No need to answer in view of non-affirmation to question No:10
12. Not necessary
13. No need to answer in view of non-affirmation to question No: 12
14. Floor price should be extended to bundled offers, covering voice calls and data.
15. Yes, there must be price capping to safeguard the interests of consumers and further to prevent any entity from abusing its dominant position in the market place. Further, such capping is necessary to prevent dominant players from abusing their dominance by resort to restrictive and Unfair Trade Practices, apart from safeguarding the interests of consumers.
16. The ceiling price should aim at preventing profiteering by TSPs to the loss and detriment of consumers. Hence, the methodology adopted should invariably transparent, accountable and self explanatory.
17. Yes.
18. Such floor tariff fixed by the regulatory body indisputably constitutes a reasonable order, well within the competency and jurisdiction of the TRAI and as such it shall bind the TSPs. Hence, TSPs have no option except to comply with the same.
19. The Regulatory body must invariably take into reckoning the pricing, increasing chances of resort to predatory pricing by certain dominant players in the short run to gain more dominance in the market for bringing about favourable conditions for stifling competition in the long run by imposing unjustified costs on consumers.

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For Consumers Guidance Society

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Secretary