



Comments on the Consultation Paper on “Tariff Issues of Telecom Services” published, 17th of December 2019

The consultation paper tried to reason out whether tariff fixation should be done by the Telecom Regulatory Authority TRAI. A reason for tariff fixation is three out of the four major companies are experiencing losses, presumably due to low tariffs, which is why the tariff hike happened in 2019. The tariff on any service must guarantee the company adequate returns on its investment to stay in business, and also adequate resources to plan for capital investment to stay viable in the future. However, in an industry like telecom, where the infrastructure can be shared by different companies, it is not optimal for all companies to invest in heavy capital expenditure due to duplication of resources.

The discussion paper had data on total number of subscribers and data usage, for individual companies only telecom tariffs pre-hike and post hike were provided for. The paper gave reasons for price fixation by regulatory bodies as well as reasons for not doing so, without taking a stance. We are of the opinion that it is virtually impossible, for a regulatory body to dictate tariffs, especially since all companies have a huge set of offers, depending on the number of days of validity, the data pack and the number of sms (See Appendix 1). How will the fixed cost of any service be apportioned to each of these offers, especially since each company chooses a different set of package mix to offer? Not just that, Airtel not only operates in the telecom domain but have other businesses using the same infrastructure such as Airtel Dish TV, Airtel Payments Bank.

From the data in Appendix 1, we observe that apart from JIO all telecom companies are experiencing losses, BSNL being the worst performer with its market share being the least and its losses far over the other players, namely Airtel and Vodafone. It is definitely the case that the costs outweigh the revenues for the private players Airtel and Vodafone and BSNL. The question then is whether prices should be raised or costs should be curtailed. It is even interesting to note that JIO's profits cannot be solely attributed to its high market share at 30.26% compared to Vodafone at 32%.

What is of concern is most of the telecom companies have deferred their plans to provide 5G services, given their losses. What TRAI needs to do is identify the reason of JIO's success, which is mainly due to superior technology at lower cost. Given the expenses of 5G infrastructure, it is impossible for any one company to undertake the cost nationwide. Given that BSNL seems to lack expertise in providing quality services at low cost, it may be best for BSNL to request for a grant from the government to invest in 5G technology, a service which it can rent out not only to other telecom players but for any other market that may require that technology. BSNL may offer its services only in the remote parts of the country where private players are unwilling to operate to provide for universal service obligation.

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Appendix 1

Financial and Market Indicators for major telecom players

	BSNL	Airtel	Vodafone	Jio
Profits (INR Million)	(-)149042	(-)18290	(-)140560	29640
Subscriber Base (Million)	116.2	327.3	336.25	369.03
Market Share (%)	10.1	28.35	29.12	32.04

Tariff Structure for Airtel, Vodafone and Jio

GB/Day	Validity (Days)	Airtel (INR)	Vodafone (INR)	Jio (INR)
1.5	28	219	219	199
2	28	148	149	249
3	28	398		349
1.5	56	399	399	399
2	56	449	449	444
1.5	84	598	599	555
2	84	698	699	599
1.5	365	2398	2399	2199
24 GB/ Month	365	1499	1498	1299

Tariff Structure for BSNL

GB	Days	BSNL (INR)
Unlimited	28	118
1	28	199
2	54	198
Unlimited	84	448
5	90	551
1	90	499
2	240	998

References

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2. <https://www.livemint.com/industry/telecom/reliance-jio-is-the-largest-telco-in-india-trai-11579180602386.html>
3. <https://www.financialexpress.com/industry/jio-and-bsnl-top-gainers-as-wireless-subscriber-base-widens-to-1-17-million-in-september/1769618/>
4. Annual Reports and Financial Statements of Airtel, Vodafone, Jio, and BSNL