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February 27,2020

Mr Amit Sharma
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Dear Mr Sharma,
Thank you for your mail, requesting my comments on the TRAI consultation paper on "Tariff Issues of Telecom Services" . I have gone through the Consultation and I do very strongly feel that fixing a floor price for mobile data services/telecom services at this juncture would go against the interest of consumers. It is anti-competitive, anti-consumer , promotes inefficiency and would also adversely affect the government's push towards 'Digital India'. I have given below my comments in detail and would urge TRAI not to resort to such intervention .

I look forward to TRAI's positive response.

With very best wishes

Pushpa Girimaji

I Have clubbed together, question numbers 1, 2,3 and 4 (Chapter III: Issues for Consultation) for my response and in view of the opinion expressed, I do not see the need for responding to the remaining questions.

Q1. Do you foresee any requirement of regulatory intervention at this stage in tariff fixation to protect the interests of telecom service providers as well as the consumers? Please support your comments with justification

Q2. Do you foresee any need for change in TRAI policy of forbearance in tariffs? Please give reasons for your response.

Q.3.If the answer to Q1 is in affirmative, is fixing a floor price, i.e, a standing prohibition on TSPs not to offer services below a predetermined price level, the answer? Please give detailed reasons for your response

Q4:Do you perceive a need to fix floor price despite the fact that the TSPs have increased their tariff recently? Please support your response with detailed justification

My response: I do not see any reason for TRAI to move away from its policy of forbearance at the present juncture and notify the floor price for any of the services, for the following reasons:

1. Fixing the floor price is anti-consumer- it gives TSPs an assurance of a minimum price irrespective of the quality of service. It also promotes inefficiency because it insulates TSPs from competitive prices of new entrants . It also kills the initiative to increase efficiency, adopt new technologies and bring down costs of services. It also affects consumer choice. Thus fixing a minimum floor price is totally against the interest of consumers.

2.It is also anti-competitive and against the interest of consumers. In a way, fixing a common floor price for all TSPs is akin to cartelization, where competitors agree on a common pricing structure or price rather than compete against each other. Cartelization is anti-competitive, curbs free and fair competition and denies the benefits of competition to the consumer. It also tends to increase the price of services and reduce consumer choice. Fixing a minimum price by the regulator has the same effect – it takes away the consumer’s right to choice and availability of services at competitive prices.

3. It will also artificially jack up the prices for consumers further, particularly at a time when the quality of service is anything but satisfactory, with consumer complaints ranging from slow data download speeds to poor

mobile network coverage. So it is certainly not in the interest of consumers. Let's not forget that service providers have already increased the prices in December.

4. Today, data services are not a luxury, but a necessity and have empowered consumers enormously and therefore must be available at affordable prices, so as to bridge the digital divide and improve the quality of life for all consumers, including those in the lower economic strata. The increase in the subscriber base from 281.58 million in 2014 to 664.80 million by the end of September 2019 shows the substantial growth in wireless data usage because of the affordability of the service. Besides, the success of many of the government's social welfare programmes are dependent on the availability of data services at reasonable prices. Thus any attempt to fix the floor price would have an adverse impact on many of these initiatives and programmes

5. Since fixing a minimum price for data/telecom services would adversely affect competition among telecom service providers and jack up the tariff for consumers, such an exercise should only be resorted to in the rarest of rare circumstances. For example, if there is a threat to competition through predatory pricing by a dominant player, or to put it differently, if a dominant player with deep pockets attempts to wipe out existing competition and prevent entry of new players through predatory pricing, such a situation calls for regulatory intervention- one of them may be through fixing of a minimum floor price. In other words, prescribing a floor price might be necessary to ensure adequate number of TSPs and thereby competition, in situations that threaten competition.

Under the Competition Act, predatory price is defined as "the sale of goods or provision of services, at a price which is below the cost, as may be determined by regulations, of production of the goods or provision of services, with a view to reduce competition or eliminate the competitors"

However, today, that situation does not exist. The TSPs have hiked their tariffs substantially- the increases ranging from 15 to 50 per cent. Also all the players have agreed that there is need for the regulator to fix a floor price. In other words, there is no threat of predatory pricing by one dominant player. So one does not see any need for the regulator to change its policy of forbearance.

6. While seeking the regulator's intervention for fixing a floor price, the Cellular Operators Association of India has said that given the fierce competition, tariff correction was not possible voluntarily by any service provider and the only option therefore was for the regulator to prescribe a minimum tariff for mobile data service. The regulator could have considered that option if the TSPs had not increased their prices and there was an imminent threat to their very existence. That is not the situation today.

7. Fixing the floor price that is fair to both the TSPs and the consumer is also not easy. As pointed out in the Consultation, the cost of provision of data service varies widely across TSPs and if the most efficient operator cost is chosen, the other operators will be forced to price below cost. On the other hand, if the least efficient operator cost is taken into consideration, then it could result in windfall profits for the most efficient operator. Of course for consumers, it would mean an unfair hike in costs.

Thus all in all, I do not see any need for the regulator to change its policy of forbearance at this point of time.

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