



TCL Response to TRAI CP on Review of Policy of Forbearance in Telecom Tariff

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

TCL Response :

We do not envisage any need for a change in the present regulatory framework for telecom tariff fixation because of following reasons:

- **The characteristics of Competitive Markets are as follows: :**
 - **Several suppliers and consumers;**
 - **No dominant player in the marketplace so large it can affect prices;**
 - **No significant externalities**

There is intense competition in the telecom services sector for all the services .The level of competition will not come down substantially even if the impact the Hon'ble Supreme Court judgment of 2nd February, 2012 quashing 122 licenses issued on or after 10th January, 2008 is taken into account for the reason that affected Operators are likely to bid for the Spectrum and retain their licenses particularly those who have invested heavily in rolling out the network. Thus the market is expected to continue to remain competitive.

- **Even at the present level, telecom tariffs in India are one of the lowest globally. And therefore do not call for any drastic change in the regulatory policy of forbearance towards the telecom tariffs.**
- **There is no one single dominant Operator who can control the tariffs in the Indian market. In such a competitive market where there are a number of suppliers ,demand curve is ideally infinitely elastic entailing that the market fixes price and, at that price, suppliers supply any quantity demanded by the market. In this case, there is a market price that acts as reference against which individual supplier will compare their price. As a result, suppliers in a competitive market deliver services as long as their incremental revenue exceeds their incremental costs. In our case, as competition is working effectively , market forces should be allowed to continue to determine the tariffs and policy of regulatory forbearance should be continued.**
- **From the Table in CP regarding Average Outgo per Outgoing Minute from 1999 to 2011, it can be clearly seen that average outgo has been steadily coming down over the decade despite costs of providing services going up substantially which is a clear pointer towards competitive market. It is submitted that in view of increasing costs**



to The Operators, both foreseen and unforeseen , some minor hike in the tariffs by six or more Telecom Service Providers should not become the reason for abandoning the time-tested principle of Regulatory Forbearance. It has to be noted that when the tariffs were falling , all the Service Providers were also uniformly bringing down their tariffs in order to compete in the market place irrespective of their cost structure at that time. Telecom Tariffs have bucked the inflationary trend elsewhere for more than a decade and one small market correction in tariff levels, even if it happens should be seen as a market driven phenomenon and should not set the alarm bells ringing particularly when tariff levels remain one of the lowest globally and there is no evidence of cartelization in the market place.

- Even with the present tariff policy , there are enough safe guards available with TRAI for taking corrective action as it had demonstrably done in the past as recounted in the Consultation Paper.

2. Should TRAI withdraw from the policy of forbearance?

TCL Response: We do not recommend the withdrawal of the policy of forbearance for the reasons mentioned in response to 1 above. As per the ICT Handbook, Regulation is useful where the market by itself would produce undesirable or socially unacceptable outcomes. It also states that regulation should only focus on those parts of the ICT sector where there is a clear need for regulation (that is, where effective competition is not feasible) and should only be a temporary measure. Over time, regulators should aim to establish or restore the conditions that provide for effective competition on a sustained basis. This entails, for example, removing or reducing barriers to entry and exit. It also involves enabling the market itself to prevent the incumbent from abusing its market power, for example, through the entry of additional competitors.

The ICT regulation toolkit further states that Regulators should therefore forbear from interfering in pricing decisions unless regulation is justified. That is, unless the expected benefits from regulating prices outweigh the expected costs from doing so. This requires that, without regulation, prices will either be:

- Too high overall — if an operator or service provider has market power they may increase prices above competitive levels. This will suppress demand for the service, leading to a loss of social welfare, or
- Anti-competitive —an operator or service provider with market power may engage in pricing practices that hinder competition in a market. Three important anti-competitive pricing practices are cross subsidization, price squeezes, and predatory pricing.



Regulatory forbearance is about focusing regulation to where it is needed, and withdrawing regulation in those parts of the market where it is no longer necessary. In other words, the concept of regulatory forbearance rests on the goal of a gradual removal of *ex ante* regulation and an accompanying increase in the use of general *ex post* competition regulation. In the United Kingdom, Ofcom's approach to regulation is based on seven regulatory principles as given below:

- I. Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated policy objectives.
- II. Ofcom will intervene where there is a specific statutory duty to work towards a public policy goal which markets alone cannot achieve.
- III. Ofcom will operate with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required.
- IV. Ofcom will strive to ensure its interventions will be evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.
- V. Ofcom will always seek the least intrusive regulatory mechanisms to achieve its policy objectives.
- VI. Ofcom will research markets constantly and will aim to remain at the forefront of technological understanding.
- VII. Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation upon a market.

We would request for a similar approach for tariff regulation from TRAI on the principles of tariff forbearance.

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.

TCL Response: Not applicable in view of response to 1 and 2 above.

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

TCL Response: It may be recalled that most of the innovative tariff plans like life time validity, micro refill coupons for pre-paid, one India plan etc. were introduced when the telecom tariff was under Forbearance. Tariff regulation would affect the ability of the telecom service provider to introduce innovative tariff plans because innovative tariff plans are results of markets forces interplay and consumer-demand in a fiercely competitive market.



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?

TCL Response: We would like to reiterate that regulatory forbearance is the best method of managing the telecom tariffs wherein market forces decide the tariffs for the services. Regulatory intervention should be considered only if tariffs are set too high overall or they are anti-competitive:

Prices are set too high:

If an operator or service provider has market power they may increase prices above competitive levels. This will suppress demand for the service, leading to a loss of social welfare.

Prices are anti-competitive:

An operator or service provider with market power may engage in pricing practices that hinder competition in a market. Three important anti-competitive pricing practices are cross subsidization, price squeezes, and predatory pricing.

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

TCL Response: There is adequate amount of competition in the data services which is being provided by large number of Access Providers (2G & 3G) and ISPs. The tariff for the data services is governed by the market forces and is at reasonable level. More than adequate choice is available to consumer both in terms of data services being provided by Service Providers with technology options of either on Wireline (ADSL) or on Wireless (EDGE CDMA, 3G, Wimax). The growth of data services in India is still at a nascent stage wherein varying tariffs are offered by various Service Providers to cater for widely different market segments. According to us, the tariff for data services is governed by the market forces and is at reasonable level which does not warrant any regulatory intervention at this stage. In order to replicate the growth experienced in the Mobile Voice Services sector, there is a need to stimulate demand for data services by creating relevant web based applications and facilitating wide use of IT Infrastructure by lowering the cost of CPE for the end consumer.

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

TCL Response: The factors that impact competition in data service in the market are as follows:

- Availability of BWA spectrum for new Service Providers



- **Availability of backhaul spectrum for Service Providers for 3G, BWA & Data Services by ISP**
- **Optical Fibre last mile infrastructure availability for provision of data services.**
- **Lack of cost effective CPE and/or IT infrastructure at the consumer level leading to lesser demand as compared to Mobile Voice services.**
- **Lack of IT based relevant application services which would spur the demand for the data services thereby encouraging competition.**

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

TCL Response: Following measures can be taken by the Regulator for facilitating enhanced competition for availability of data services at affordable tariff:

- **Reduction of levies and duties on the import of equipment**
- **Rationalizing the levies and duties imposed on licensed Telecom Service Provider under license.**
- **Ensuring availability of critical optical fibre infrastructure to all the Service Providers from initiatives such as NOFN project on affordable price.**

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?

TCL Response: As already stated there is intense competition for data services in the Indian market with large number of UASLs (Wireline, EDGE, CDMA 2000 1X, 3G) competing amongst themselves and with ISPs (Wireline, Wimax-16d). The competition will further intensify once the BWA operators debut in the market. In such a scenario, we would not recommend the regulation of tariff for data services at this stage. Regulatory intervention should be considered only if tariffs are set too high overall or they are anti-competitive.