

Comments on Consultation Paper on Differential Pricing for Data Services

Submitter: M S Abhinandan

Question 1: Should the TSPs be allowed to have differential pricing for data usage for accessing different websites, applications or platforms?

Comment: No, TSPs should not be allowed to have differential pricing for data usage for accessing different websites, applications or platforms. TRAI is right in underlining its responsibility to ensure orderly growth of telecom industry. The success of “freemium” model leads to first disruption and then monopoly. The failure of the model leads to disruption with destruction of value. Either way the approach is detrimental to the growth of the telecom industry. The associated uncertainty which is a result of profit centered corporate strategies adversely effect in the overall business environment by surfacing “bubbles” and unhealthy business precedents. The bloodbath in the Indian airline industry is an example of irrational pricing which has pushed back the development of the industry by a few years and deprived the citizens of airline service for that many years.

Question 2: If differential pricing for data usage is permitted, what measures should be adopted to ensure that the principles of nondiscrimination, transparency, affordable internet access, competition and market entry and innovation are addressed?

Comments: The differential pricing complies with principles enumerated above in letter but not in spirit. This calls for conceiving economic instruments to discourage deceptive practices.

1. The projected losses due to differential pricing should be presented and approved in the EGM before implementation. This should be irrespective of business considerations of business confidentiality. The losses in the current year as a result of differential pricing should be quantified and the same should be reflected in the balance sheet. In case of the losses being borne by a different/second entity the same should be considered as income for the TSP and taxed accordingly.
2. The dominant TSPs with greater resources at their command through differential make substantial gains by acquiring new customers at a price less than the “cost of customer acquisition”. These notional gains need to be quantified and should be treated as profit and taxed accordingly.

3. In the event of second entity being a multi-national company the transfer pricing norms should be used to calculate the cost of customer acquisition as notional gains.

Question 3. Are there alternative methods/technologies/business models, other than differentiated tariff plans, available to achieve the objective of providing free internet access to the consumers? If yes, please suggest/describe these methods/technologies/business models. Also, describe the potential benefits and disadvantages associated with such methods/technologies/ business models?

Comment: The corporate entities with espousing the cause increasing internet penetration shall become partners in Universal Services Obligation Fund (USOF). Differential pricing is a tool which impairs without curtailing the freedom of choice of citizens hence the regulator, to protect consumer interest should be overseeing the management and deployment of private resources for public service that impinges upon the freedom of choice of the citizens. The present vision, objective and functions of USOF is geared towards ensuring “rural Indians to achieve their fullest potential and participate productively in the development of the nation by virtue of being effectively connected through a reliable and ubiquitous telecommunications network, access to which is within their reach and within their means.”

Question-4: Is there any other issue that should be considered in the present consultation on differential pricing for data services?

Comment: Consider quantifying economic gains achieved by differential pricing for appropriate revenue figures and tax treatment. Consider mandating TSPs to share all the figures and customer data related to free services.