

## **Vodafone response to TRAI Consultation paper on 'Differential Pricing for Data Services'**

Vodafone welcomes this consultation by the Authority and we wish to submit as follows:

1. The Indian consumer is highly price sensitive. The availability of affordable and innovative data services will be key to driving the take up and growth of data and help deliver on the Digital India vision.
2. In the era of voice telephony, competition and choice was with reference to only the consumers of the respective service providers and various tariff plans were permissible subject to meeting the TRAI's principles of non-discrimination enunciated in TTO-99 and further the TTO-33<sup>rd</sup> Amendment.
3. However, now, with the growth of the internet and the proliferation of smart phones, telecom has become a two sided market with the internet content providers on one side and the consumers on the other.
4. Competition and choice is now also possible with respect to the content that is available on the Internet and consumers can equally benefit from innovative and customized data offerings that can be offered by its service providers either independently or through various innovative new services and business models based on mutual commercial arrangements with the content providers.
5. As long as such arrangements are not anti-competitive and transparency is ensured for informed consumer choice, they will encourage consumers to explore and experience the internet as much as possible and promote Internet growth.
6. The telecom industry requires a financial sustainable business model, an open and pro-innovative environment for all – device players, OTT and Telcos and an assurance of same rules for the same communication services.
7. There is a need to ensure regulation is fit for the Digital Age and introduce a concept of regulatory neutrality, i.e. the same services, same customer protection, whether offered by an OTT communication player or a TSP. The consumers have always been central to the success of the mobile industry and continue to be at the heart of all strategy and innovation by the operators.
8. The above mentioned 'same service same rule' principle is required for communication services. For data content (other than communication services), internet being a two-sided market, payment can come from either side of the market. The content provider may like to enter into commercial arrangements with the service providers to offer a differential tariff for its content. Such arrangements will be a win-win for the customers, the telecom operators and content/app developers as it will help defray the costs of infrastructure build-out, ensure

affordable services and high quality experience to end users, which in turn will fuel development and growth of the market.

9. We believe that given the intense competition in the market with the presence of atleast 8-10 established operators in each telecom circle and the presence of strong regulatory and legal safeguards, the concerns around discriminatory or anti-competitive behavior can be addressed through existing mechanisms. The competitive intensity of the market has resulted in largely self-regulatory mechanisms that have ensured the protection of consumer interests and have in fact created various innovative tariff offerings for consumers, all of which have significantly contributed in making the Indian telecom market one of the most competitive, innovative and affordable markets in the world.
10. We therefore submit that differential data content pricing should be permitted and the existing regime of forbearance should continue. The regulatory principles of non-discrimination and transparency should be equally applicable to voice and data content
11. The comments are only confined to the limited issue of Differential Pricing for Data Services (data content) and is without prejudice to our response dated 24.04.15 to an earlier consultation paper of TRAI dated 27.03.15.

Detailed responses to the questions raised are as follows :

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

**Yes, for the following reasons:**

- (a) **Operators should be able to offer consumers the services which best meet their needs.** Allowing differentiated prices will be in consumer interest and is commonplace in the wider economy. There is significant experience from other sectors (particularly where there are high fixed costs of production), where quality/price differentiation has been used in order to expand the market by making more attractive offers at the lower end of the market. Examples could include aviation, where users are offered different standards of service, hotels where users are offered a different standard of rooms, car manufacturing where the same basic model will be produced to a number of quality standards and TV services which may be provided on a standard or high definition service. Across virtually every service, consumers benefit as firms compete on levels and degrees of quality as well as service.
- (b) **Differentiated pricing also has societal benefits, ensuring that communications and internet services are accessible, affordable and available.** Differentiated pricing for data content expands participation in online content and applications to the underserved, while also increasing mobile wireless penetration. Increasing internet

access has been shown to increase productivity, support enterprise and innovation, increase employment and economic growth<sup>[1]</sup>.

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

The regulatory principles enunciated for voice, will govern data content as well. We believe that given the intense competition in the market with the presence of at least 8-10 established operators in each telecom circle and the presence of strong regulatory and legal safeguards, the concerns around discriminatory or anti-competitive behavior can be addressed through existing mechanisms. The competitive intensity of the market has resulted in largely self-regulatory mechanisms that have ensured the protection of consumer interests and have in fact created various innovative tariff offerings for consumers, all of which have significantly contributed in making the Indian telecom market one of the most competitive, innovative and affordable markets in the world. However, the non-discrimination requirements should prevent any exclusivity which could be anti-competitive.

**3. Are there alternative methods/technologies/business models, other than differentiated data tariff plans, available to achieve the objective of providing free internet access to 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.**

Any methods/technologies/business models that promote mobile data services usage should be encouraged as these would facilitate greater penetration of mobile internet and broadband and promote economic and social growth. Additional focus needs to be placed on promoting broadband growth through an enabling policy environment which encourages investment and innovation.

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

- (a) The telecom industry requires a financial sustainable business model, an open and pro-innovative environment for all – device players, OTT and Telcos and an assurance of same rules for the same communication services.
- (b) The above mentioned 'same service same rule' principle is required for communication services. For data content (other than communication services), internet being a two-sided market, payment can come from either side of the market. The content provider

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[https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/TechnologyMediaCommunications/2014\\_uk\\_tmt\\_value\\_of\\_connectivity\\_deloitte\\_ireland.pdf](https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/TechnologyMediaCommunications/2014_uk_tmt_value_of_connectivity_deloitte_ireland.pdf)

may like to enter into commercial arrangements with the service providers to offer a differential tariff for its content. Such arrangements will be a win-win for the customers, the telecom operators and content/app developers as it will help defray the costs of infrastructure build-out, ensure affordable services and high quality experience to end users, which in turn will fuel development and growth of the market.