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Comments:

Consultation Paper on Differential Pricing for Data Services

Sistema Shyam TeleServices Limited (SSTL) welcomes the opportunity extended by TRAI to comment on its consultation paper on “Differential Pricing for Data Services”.

The Internet is one of the defining innovations of the late twentieth century and has redefined the way businesses are conducted. The pricing of a product including that of internet is based on cost, competition, demand/ supply etc. Price differentiation is often adopted in competitive market scenarios and is an inherent feature of pricing mechanism. The overwhelming conclusion from the empirical study across many markets, is that price differentiation is often found to be welfare enhancing.

The data services in India are at a very nascent stage and do not require to be regulated. The Telecom Service Providers (TSPs) offering differential tariff plans i.e. zero or discounted tariffs to certain websites/applications/platforms as noticed by TRAI is primarily to encourage more people to explore usage of data services. The platform's success depends on consumer adoption of the platform. Such differential tariffs should be allowed to offer as long as they are consistent with various regulatory principles/guidelines including Non-Discriminatory, Transparency, Not Anti-competitive, Non-Predatory, Non-Ambiguous and Not Misleading.

Flexibility in pricing and adopting innovative business models are required for wireless network operators to fund their next generation deployments while keeping prices affordable for subscribers. The disallowance on price differentiation will more importantly likely to reduce the pace and scope of innovation in product offerings, and detrimental to consumers and can have a significant deleterious effect on the incentives of service providers to undertake necessary investments in network innovation and expansion.

The operators have been offering free access to popular services such as Wikipedia, Facebook and WhatsApp etc. in a bid to encourage users to start using their mobile broadband services. The free access to these popular services is pitched to the customers based on the factual data. The proponents of zero or discounted tariffs take cognizance of the high price sensitivity of Indian consumers. The zero or discounted tariff could also make an impact in driving the adoption of mobile broadband, especially in a country like India. The role of



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the regulator is to strike a balance between competition and consumer welfare. At this early stage, regulators should only ensure that the proponents of platforms offering zero or discounted tariffs to certain websites/applications should become more transparent with the selection criteria of the content partners and services that are to be offered through such platforms.

The differential pricing based on capacity usage and quality of service has been the norm in several industries. For instance, airlines charge differently for the space usage and provide priority check-in and specialised service according to the class. The amount of the highway toll varies by vehicle type, weight, or number of axles, with freight trucks often being charged higher rates than cars. On this basis, operators have a rationale to charge for different applications according to the data traffic generated and the type of connectivity parameters (high availability, reliability, security, etc.).

The Indian telecom market is highly competitive and MNP being in place customers have the flexibility to migrate to another telecom service provider. The measures to ensure that the principles of nondiscrimination, transparency, affordable internet access and innovation are automatically addressed.

In short, the price differentiation, if not implemented, would needlessly interfere with the promotion of competition and the benefits to consumers that it delivers. Ultimately it must be customers, not regulators, network operators, or application developers, who decide which pricing model succeeds.

The present issue of protecting certain content providers under the helm of differential pricing is similar to the issue of Android and Non Android/ Proprietary platforms. This is a pure commercial issue, the market forces will determine the survivors and no regulatory interference is required.

Our specific comment on the issues raised in the consultation paper is as below:

Q1. Should the TSPs be allowed to have differential pricing for data usage for accessing different websites, applications or platforms?

There is no need to change the existing tariff regime of forbearance. Further, The Telecom Tariff Order 1999 already lays down the principle of Non-Discrimination, Transparency, Not Anti-competitive, Non-Predatory, Non-Ambiguous and Not Misleading. In fact the growth of the market has been fuelled by the various innovative tariff plans that have been

designed by the TSPs to meet the wide and varied requirements of their subscribers. Therefore, the TSPs should be allowed to have differential pricing for data usage for accessing different websites, applications or platforms as long as they are consistent with the aforesaid principles.

Q2. 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?

A more efficient and effective solution is already in place whereby the Authority monitors that the tariff for various services being offered is consistent with various regulatory principles/guidelines including Non-Discriminatory, Transparency, Not Anti-competitive, Non-Predatory, Non-Ambiguous and Not Misleading through the reporting mechanism put in place.

Q3. 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?

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Q4. Is there any other issue that should be considered in the present consultation on differential pricing for data services?

If proliferation of Mobile Broadband has to go up there has to be a high push from both telecom service providers and the government.

The recent initiative of the Government of India with regard to Bharat Net, is pointing out in the direction of providing affordable broadband for all.

Further, a stage is likely to come wherein certain section of the society would have to be subsidized by the Government like the LPG subsidy, wherein cheaper access needs to be provided for browsing certain Government/ Agricultural pricing sites. This will lead to price differentiation. These are best addressed by market forces rather than by regulatory interferences.

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