

## **BIF RESPONSE TO TRAI CONSULTATION PAPER ON DIFFERENTIAL PRICING FOR DATA TARIFF**

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

**BIF Response:**

- We believe that the framework of the consultation paper is limited to differential charging for Data Services (data content) and exclude VoIP/M2M etc. and hence our comments are limited to this aspect only.
- We firmly believe that telecom companies should be allowed to have differential pricing for data usage for accessing different websites, applications or platforms.
- Indian telecom companies operate in one of the most competitive markets in the world. The intense competition among telecom companies with low switching cost for MNP has ensured that consumers are able to enjoy the most affordable voice and data tariffs in the world.
- In a market economy wherein telecom companies are buying resources from the government through auction, it would be inappropriate if telecom operators are not given enough freedom to operate in the market and to fix their tariffs for internet and broadband services. Due to the tariff forbearance regime, telecom companies are able to bring many tariff innovations in the market, which has only widened the customer base and increased the affordability of telecom services. Some of such tariff innovations are life-time validity plan, on-net and off-net plans, family and friends plans, toll free voice service plans, special tariff vouchers, corporate plans, one paisa per-second plan, etc.). Similarly, in the data segment, innovations such as different Special Tariff Vouchers (STVs)/Bonus packs for a specific platform such as social networking apps and music apps have only enhanced the delight of the customers and helped the Industry to grow the internet customer base. This shows that market is working efficiently and no intervention or changes are required in the current tariff regime of forbearance.
- We note that globally, telecom operators are offering various packs with differential tariffs. TSPs exclude or include any particular feature/service within a pack related to one platform.
- Price differentiation facilitates access to at least part of the internet to those segments that are currently unconnected or poorly connected. It is a common business practice that has allowed many industries to grow by reducing the consumer surplus. Today, many E-commerce companies are offering exclusive products/services with tie-ups with other service providers or the price of one particular product is found to be different on different e-commerce platforms. These prices vary from one e-commerce platform to another. However, such exclusivity or the differential price for same product/service has not been found anti-competitive or discriminatory between one e-commerce Company to another.
- As stated above, since the inception of the data revolution, TRAI has permitted free play of market forces to determine the data tariffs. However, it has regularly kept an eye on the market to ensure that the tariffs are reasonable, transparent, non-discriminatory and

are not anti-competitive. The Telecom Service Providers (TSPs) have been given the flexibility to determine the core principles of their tariff framework and decide the various tariff components for different service areas of their operation, which are in turn based on input costs, competition, commercial considerations & individual business cases, subject to transparency and prevention of discriminatory tariffs. We support the continuity of such a regime.

- The Authority itself has very rightly noted that “The criteria for determining a valid classification for the purpose of differential tariff, has undergone change from time to time depending upon the sector’s growth, technological advancement and the emerging and changing regulatory concerns, which the Authority needed to address. Thus, for example, differential tariff for ‘on-net’ terminated calls was viewed as discriminatory tariff in the initial stages of tariff regulations. However, as the competition in the sector increased, such differential pricing was permitted, treating ‘on-network terminated calls’ as a distinct and valid class for price differentiation.”
- Therefore, we request the Hon’ble Authority that in view of the above, TSPs should be allowed to have **differential pricing for data usage for accessing different websites, applications or platforms** subject to adherence to the existing regulatory principles framed by TRAI.

**Q2: If differential pricing for data usage is permitted, what measures should be adopted to ensure that principles of non-discrimination, transparency, affordable Internet access, competition & market entry and innovation are addressed**

**BIF Response:**

While permitting differential pricing, the Regulator (TRAI) must keep in mind that ensuring wider access to the Internet and the manner in which this wider access is allowed, it does not violate the fundamental regulatory principles of non-discrimination and transparency and also should not create any entry barriers for any stakeholder. Therefore, we support the principle of FRAND (Fair, Reasonable and Non-Discriminatory) and TRAI may test the business practices of TSPs against FRAND principles.

The current regulatory regime of forbearance of data tariffs provides enough room to ensure that the tariffs are reasonable, transparent, non-discriminatory and are not anti-competitive. The Telecom Service Providers (TSPs) are required to file tariff plans with the regulator within 7 days of launching the plan. While TSPs have been given the flexibility to determine the tariffs, the regulator has the right to intervene in case principles of transparency and non-discrimination are not followed. We support examination of tariff plans on the ex - post basis by TRAI on a case by case basis after giving reasonable opportunity to the operators of being able to justify their position.

**Q3: Are there Alternative Methods, Technologies, Business Models, other than differentiated tariff plans available to achieve objective of free Internet access to the consumers. If yes, please suggest/describe these methods, technologies or business models.**

**Also describe potential benefits & disadvantages associated with such methods/technologies or business models.**

**BIF Response:**

We believe that any regulatory regime should promote all types of business models to support the growth of internet eco-system rather than allowing or disallowing any particular business model. TRAI may review such business models from time to time to address any concern related to fair competition, level playing field and consumer interest. As stated earlier, the current regulatory regime of forbearance of data tariffs provides enough room to ensure that the tariffs are reasonable, transparent, non-discriminatory and are not anti-competitive.

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

**BIF Response:**

1. India today is in the nascent stage of Broadband or Internet development with India ranking the lowest in the Internet adoption rate as compared to other BRIC nations. Further, as per the State of the Broadband Report - 2014 by Broadband Commission, ITU, India is ranked 142<sup>nd</sup> in terms of broadband penetration, way below some of its neighboring countries like even Bhutan and Sri Lanka. India needs to drastically increase its broadband penetration and that too rapidly.

2. One of the ways of "increasing the base of the pyramid" is to provide affordable Internet access to those who are unconnected or poorly connected. -.

3. To provide internet access to a wider audience, differential tariff must be permitted (as stated in our response to the above questions) which allows the digital have-nots and the rural poor to have Internet access (partial) either free of cost or at highly discounted rates. This shall enable an increase in the overall number of data users in near future.

4. Exposure to some Internet content/websites/applications and services is a gateway to increased data consumption. It is better than blocking Internet usage completely.

5. Differential Tariff Regime can be enhanced using public policy and regulatory mechanisms based on FRAND principle so that the core principles are not violated viz.

- a. Non-discrimination
- b. Affordability
- c. Transparency
- d. Non-exclusivity
- e. Local Content
- f. Competition & Innovation

**CONCLUSION:**

BIF believes that differential pricing for data services should be recognized as an essential element in meeting the needs of vastly different consumer sections/groups, for provision of Basic Internet access in a completely non-discriminatory and transparent manner.