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Consumers could pay a price for free national roaming

Shalini Singh

The National Telecom Policy 2012 (NTP 2012) could have been an important road map for policymakers, industry and consumers alike, as policies are meant to be. But it fails to bring in stability and structure to an industry in crisis, while carrying the risk of tariff hikes.

Unless the government can demonstrate otherwise, NTP 2012 is, perhaps, the first policy — after NTP 1994 and NTP 1999 — that could end up raising, rather than reducing, local call tariffs. And this comes at a time when mobile tariffs are already up 30 per cent, with 14 operators in the fray, and national roaming and STD revenues intact.

For example, the biggest idea of NTP 2012 — free national roaming — comes without any regulatory homework, economic analysis, industry consensus or deadline for implementation. For an industry battling widening costs and shrinking margins, it means foregoing valuable revenue. Analysts say that far from bringing in any tangible benefit, the move may end up harming the consumer.

“While roaming contributes a substantial percentage of revenue, the number of subscribers that roam is very small, so the magnitude of damage to the industry far exceeds the benefit, if any, to the consumer,” a senior official of the Telecom Regulatory Authority of India (TRAI) told*The Hindu*.

Carriage charges

Secondly, slashing national roaming charges is a complex regulatory step. Roaming charges are linked to ‘carriage charges,' which are paid by consumers roaming outside their State or service area. Simply put, it's an STD charge, but paid by the called party rather than the caller. It ranges from 40 to 60 paise a minute, or as negotiated among the operators. Abolishing national roaming charges means vaporising thousands of crores of revenue overnight. Why the government believes the industry will willingly forego this revenue in a country that boasts of having one of the lowest tariffs in the world is unclear. Unsurprisingly, the industry has maintained a studied silence.

In any event, with 14 operators, it is unlikely that supernatural profits are being earned from roaming tariffs. This means the government is striking at genuine costs linked to the carriage of the call. Operators will compensate their loss by raising local call charges. Hardly the stuff to bring cheer to consumers.

Thirdly, matters of tariffs (including roaming) and inter-connection (carriage charges) are the exclusive domain of TRAI. “The government is neither allowed nor has any business to intervene in this area. It should have left the decision to the regulator,” the TRAI official said.

Clearly, free national roaming will come into force after a lengthy process that starts only after the Telecom Ministry makes a reference to TRAI, or if the regulator*suo motu* begins consultations with the stakeholders. Ideally, this should have been an administrative action and not a policy decision. To announce it before completing the regulatory procedure, mandatory consultations, cost reconciliation and change in billing structures usurps the TRAI's powers under Section 11 of the TRAI Act, while putting the cart before the horse.

The second ‘big' announcement — a unified licence regime — is equally a damp squib, especially for the consumer. Among other things, a unified licence implies taking the country away from a circle-wise regime to a single service area. This will kill distance-based STD, along with the thousands of crores of revenue it generates.

The Former Telecom Minister, Dayanidhi Maran, attempted a One-India tariff. Though the public memory of that misadventure has receded, STD rates, contrary to Mr. Maran's promise, are different from local call charges till today.

Again, the real threat of doing away with STD is that operators may off-set this loss by hiking local call charges. So essentially, both national roaming and unified licensing may lead to many consumers subsidising a few.

Additionally, there is no great demand for a unified licence, except perhaps from Reliance Industries and a handful of others who hold BWA spectrum. Rather, the main concern of most licensees is how best to avoid forced migration to a unified licence regime. An Internet Service Provider (ISP) doesn't want to be a long-distance operator, and a long-distance operator doesn't necessarily want to provide fixed-line services.

Furthermore, changing a circle-wise licence regime into a national regime threatens to substantially reduce new competition, a matter the Competition Commission may eventually investigate. This is because a company which can provide Internet services in Chennai for a notional fee will certainly not want to shell out Rs.15 crore for a nationwide multiple service licence.

Unless the government offers a ‘pay-for-use' scheme, the clubbing of licences certainly means less, rather than more, competition, which threatens both small and medium-scale enterprises and innovation.

The administrative challenges too are daunting. The unified licence is nationwide, but the administration and allocation of spectrum is circle-wise. Why should a company which bags spectrum for Tamil Nadu, Kerala and Delhi be forced to pay for a nationwide unified licence? Or will companies be forced to bid only for nationwide spectrum because of the nationwide licence?

India's telecom history shows that the biggest pan-India players — Bharti with Delhi and Himachal Pradesh, Idea with Maharasthra and Gujarat, the Tatas with Andhra Pradesh, and Reliance with a few ‘C' category circles — were small, fiercely competitive but efficient local players in 1995-97 before they became pan-India operators by 2003-04. The new policy hardly encourages this. Can that be good for competition?

No clarity over VoIP

The policy mentions voice over internet protocol (VoIP) as a thrust area, but there is no clarity on what it wants to deliver. For the past five years, TRAI has been pushing for ISPs to be allowed to provide VoIP, but the government has refused to act.

Mobile operators oppose the move on the ground that they have incurred huge costs by way of licence fees. Since the cost of spectrum and mobile licences will only increase in future, what is the incentive for mobile operators to provide cheap VoIP themselves or allow ISPs to enter the game?

“We will never support ISPs providing VoIP services,” says S.C. Khanna, secretary-general of the Association of Unified Telecom Service Providers of India.

ISPs themselves are sceptical of the government's intent to provide consumers with a genuine tariff reprieve. Rajesh Chharia, president of the Internet Service Providers Association of India, says: “It appears only unified licence-holders who pay Rs.15 crore will be allowed to provide VoIP services. This is a huge entry barrier for ISPs who can otherwise deliver free domestic calls for their user group and calls to the U.S. at just 30-40 paise a minute.”

Rural tele-density

Speaking of ambitious targets to raise rural tele-density from 39 per cent to 70 per cent, the government is silent on how it plans to increase tele-density. From a high of 227 million in 2010-11, the 108 million new subscribers added to the networks during 2011-12 are down to the 2007-08 levels of 95 million.

This means slower penetration, especially in rural India. This, in turn, implies a growing digital divide.

NTP 2012 was announced on January 1, 2011, and was intended to be NTP 2011. After exhaustive deliberations and a delay of 18 months, all that the nation got last week — after the Cabinet's approval — was a one-page press release without any detail or implementation deadlines.

It is unclear why the fine print is being withheld despite this approval and whether the government's eventual comeback will fill the gaps, while resolving the inherent contradictions of its proposals.