

***Asking Trai to set price-floor is a bad idea, withdraw it***

For those used to the older telcos like Bharti Airtel and Vodafone Idea battling it out with RJio at even the Cellular Operators Association of India—recall RJio's angry letter when COAI petitioned the government for relief on the SC's AGR verdict—their patch-up has to be good news. COAI has written to the telecom regulator, Trai, asking it to fix a floor price for data, and has said that all three telcos agree to this demand. Beyond the fact that yesterday's bitter rivals have buried the hatchet—lakhs of crore rupees of bank loans and government dues could have sunk due to the destructive tariff war—their demand is quite worrying as it signals that price cartelisation can soon be the norm in the industry.

Given how the average realisation per user (ARPU) for the industry fell from `174 per month before Jio began its ultra-aggressive pricing to `113 now, while data consumption rose from 153MB to 10GB, and voice minutes rose from 400 to 700, it is clear that the latest hike in tariffs by all telcos is not price-gouging. But, if the three telcos announced a price hike almost simultaneously—and the move looks like it was initiated by the government—when does it become price-gouging? And, at what level will Trai or the competition authorities start probing it? Asking for a floor price is also ironic since, till recently, while Trai and RJio argued against it, both Airtel and Vodafone Idea asserted that the interconnection usage charge—IUC is paid to a telco when there is a call to its network from another network—was, in fact, a floor price, and by pricing its calls at below the IUC, RJio was guilty of predatory pricing.

Interestingly, since in a 4G network, even voice calls are essentially data packets, a floor price for data means COAI wants a floor price for all tariffs, whether 'voice' or internet-based 'data'. The obvious question that comes to mind is that, since the bloodbath was caused by RJio, and RJio also wants a minimum floor price for this data—presumably above the level that is being

charged right now—why doesn't RJio just raise the price and, soon enough, the others will also follow. COAI's letter shows that the operators don't trust one another: "tariff correction ... is not possible by any service provider voluntarily". It goes on to say, "we expect tariffs regulated and decided by Trai will ensure that the telecom industry remains healthy and robust". An industry that fought for 'forbearance'—that is, Trai would no longer examine each tariff plan of telcos—is now asking for its formal burial. If Trai rejects the demand for a floor price, after a series of bad decisions over the past few years, it will be making the right one.