



## **Fixing of Floor Price for Telecom Services is Illogical: IAMAI**

**New Delhi, 17<sup>th</sup> March, 2020:** The Internet and Mobile Association of India (IAMAI) shared its view with TRAI on the consultation on tariff issues of telecom services stating that the recent hike of rates by all three service providers proves that the TSPs are responsive to market realities and there exists no evidence of market failure based on which any tariff regulation by way of floor price may be justified.

The association highlighted that India presently has approximately 500 Mn internet users driven mainly via mobile internet services. Despite the high numbers of users, internet penetration is barely 36% in the country with Rural India still having a low 22% internet penetration. In order to empower the marginalized section of the country, there is a need to provide affordable internet connectivity to rural India. This section of the Indian market extremely price sensitive in nature, and therefore, any policy affecting tariff rates has the potential of significant consequences on usage and onboarding of new subscribers to internet services.

The concept of having a floor price for telecom services is fraught with complications. The floor price will need to be based on the cost of the provision of service. As different TSPs have different cost structures and different cost of delivery of services, the selection of a representative cost is problematic. Contrary to certain suggestions, it would be impractical to choose the highest or second-highest cost in a market with barely 3 service providers of consequence.

The association, in particular, responded to certain suggestions for fixing prices for internet services while not affecting voice calls. Such a suggestion reflects cherry-picking by TSPs targeting potential high revenue services while ignoring low revenue services. IAMAI highlighted that presently voice services are the more predominant service and mobile internet services have restricted the market, which is far more price sensitive given the target of on-boarding new users.

IAMAI suggests that TRAI should continue its present position of forbearance by not actively intervening in tariff fixation and let the market forces determine future pricing. Moreover, fixation of floor pricing will not address the key issues plaguing the telecom sector which is under huge financial burden severely affecting future investments. In order to correct this, regulators must identify and remove unfair cost advantages in the forms of spectrum fees, interconnection charges, etc.

### **About IAMAI**

The Internet and Mobile Association of India [IAMAI] is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers, and in the last 16 years has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile & digital payments among others.

Sixteen years after its establishment, the association is still the only professional industry body representing the online industry in India. The association is registered under the Societies Act and is a recognized charity in

Maharashtra. With a membership of nearly 300 Indian and overseas companies, and with offices in Delhi, Mumbai, Bengaluru and Kolkata, the association is well placed to work towards charting a growth path for the digital industry in India.

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