

Mobile tariffs to pinch more, warns Mittal

■ Cites overspend on 3G licences, pressure to serve rural & low-end customers who use only basic services

fe Bureau
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MOBILE tariffs may soon go up further as mobile operators expand their presence in rural India. Hinting at a significant tariff hike in the coming months, Sunil Mittal, group CEO and managing director of Bharti Airtel, the country's top mobile services firm, said: "The pressure on this industry will be acute as the operators will have to serve the rural markets, as well as low-end customers, who use only voice calls and SMSes."

According to Mittal, this correction in tariffs is required to compensate for the company's rural operations, as the cost of operations has gone up exponentially. Mittal also said they have overpaid for 3G licenses, which needs to be passed on to consumers.

In recent years, India has enjoyed one of the lowest telecom tariffs in the world, with some operators offering a per second pulse at the rate of half a paisa only, while others are offering a call rate of one paisa per second.

The revenues of most of the operators have come under

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Company	Circles	Amount paid in 3G auctions in 2010 (₹ crore)	GSM subscribers in million (July '11)
Bharti Airtel	13	12,295	170.69
Vodafone	11	11,617	143.01
RCom	13	8,583	144.8
Aircel	13	6,500	58.88
Idea	11	5,769	96.11

Source: COAI & cos



pressure due to the high cost of operations and low tariffs amid increased competition. There are 12-14 players in each circle, all vying for market share in the mobile telephony space.

Last month, leading operators, including Airtel, Vodafone-Essar, Tata DoCoMO and Reliance Communications, hiked their tariffs by as much as 20% in some plans.

Airtel raised tariffs for its

'Advantage' and 'Freedom' prepaid tariff packages, which are based on per minute billing, to 60 paise per minute for local and STD mobile-to-mobile calls. Earlier, the rate was 50 paise per minute in this category.

"Telecom is probably the only industry where, despite increasing inflation, tariffs have been falling unabated. Continuously declining margins, high 3G and BWA auction prices, con-

strained spectrum and rural rollout aspirations leave us with little choice but to make some price corrections," Bharti Airtel said after the last tariff hike.

Pursuant to the increase, the Telecom Regulatory Authority of India (Trai) asked the mobile operators to clarify why they had increased tariffs. Most of the operators had said that they were forced to raise tariffs as they are facing pres-

sure on their revenues. Industry observers said Trai may not be able to do much in this regard because the tariff for mobile service is under forbearance, which means that operators are free to fix tariffs.

The Cellular Operators Association of India (COAI), the apex body of leading mobile operators, says that the 'no-cap' policy regime has encouraged hyper competition which has caused the fall in tariffs. However, these reductions in call charges have not been matched by an increase in minutes of usage per connection per month. A COAI-PWC report shows that contrary to expectations, minutes of usage have experienced a drastic fall from a peak of 465 minutes/month in 2007 to 369 minutes in 2010 a dip of over 20%.

This threatens the sustainability of the industry and has presented a bleak growth outlook to the government on the anvil of National Telecom Policy 2011 and preparation of the 12th Five Year Plan, says COAI. While data shows that call tariffs dropped from a high of ₹15.50 in 1998 to an average of 50 paise/minute in 2010, the maximum reductions were before 2008.