

After 15 yrs, mobile tariffs head north

Average Cost Set To Rise From 55 P/Min To Around 80P/M For Voice Calls

Shalini Singh | TNN

New Delhi: For the first time since 1995, consumers need to brace themselves for an upward trend in mobile tariffs. Starting this month, higher mobile bills will add to the pain of general low-cost drug prices hitting the roof, electricity tariffs jumping in Delhi and the threat of further interest rate hikes on loans when the RBI reviews its monetary policy on September 16.

Led by Bharti Airtel, some large operators had announced 20% tariff hikes in July. On September 6, Sunil Bharti Mittal, chairman, Bharti Airtel, said further hikes are imminent in order to offset lower revenues from rural India.

However, the consumer already pays Rs 5 of every Rs 100 billed towards mobile tariffs

as a levy to the Universal Service Obligation Fund (USOF), which is used to subsidize rural telephony. The urban consumer has been bearing this cost to subsidize rural telephony for the past 12 years, so the industry's argument to justify earlier and future hikes is hardly tenable. Consumers across India will start to feel the pinch with their August bill payouts, with the average price expected to go up from 55 paise/minute to roughly 80 paise/minute for voice calls, depending on the package.

Escalating mobile tariffs demolish the government's claim in 2008 that raising competition to 14 operators/circle was critical in order to lower tariffs by breaking the 'cartel'. Present trends indicate that the government's allegations of 2008 may still apply, opening up serious



COSTLIER CALL

anti-trust issues. It could also invite action by the Competition Commission of India, though traditionally tariffs and the telecom sector have been regulated by Trai under, Section 11 of the Trai Act.

The government is further scripting an exit policy for telecom operators, paving the path to consolidation and pos-

sibly yet higher mobile tariffs, failing strong government intervention. Mobile tariffs have remained in forbearance (Trai has not regulated them) for nearly a decade. This is the first time since the liberalization of the telecom sector in 1995 that mobile tariffs are moving north to hit the consumer's wallet.

When contacted, Trai chairman J S Sarma told TOI that he was seized of the matter and would intervene if required. "We can't allow tariffs to go up indiscriminately. Forbearance on tariffs has been a practice, not a law. It can be revisited," he said. If Trai fails to act on the tariff hikes suo moto, the government can give the regulator directions to act if it considers the matter serious enough. However, multiple attempts to reach telecom minister Kapil Sibal for a response on

the issue failed.

Consumer apathy is one of the biggest reasons for consumers not participating in any policy dialogue in the telecom sector despite the massive scams that plague it, as tariffs have continued to go down, sometimes even at the cost of quality. A counter attack requires calculation of costs to prove that the hike in tariffs by large telecom operators is misplaced, followed by campaigning by a consumer body, which does not appear forthcoming.

Meanwhile, since the last quarter, mobile operators are celebrating higher average revenue per users (ARPU) for the first time. Operators like Bharti operate in the range of Rs 140-143/month, while new entrants like Uninor and Loop have lower ARPUs in the sub Rs 45 range.