



Deregulation and streamlining prices in telecommunication industry in Delhi

DEREGULATION AND STREAMLINING PRICES IN TELECOMMUNICATION INDUSTRY IN DELHI

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INTRODUCTION

The Telecom services sector was opened for private participation in 1994, based on National Telecom Policy (NTP) framed in that year which initiated the first generation reform process. However, in line with the rest of the world, the policy makers in India adopted an evolutionary approach towards competition and opted for limited competition that is allowing only two players in each of the four metro circles, which were opened for private players. Then Bharti (Airtel) & Hutch came in to existence in 1995. In 2001 VSNL & MTNL were allowed as third players.

Until the mid-1990s the ownership of a telephone in India was considered a luxury, not a consumer item. The waiting period for a landline could extend from five to ten years. Even in 1996, for instance, people were waiting for a telephone after having paid a hefty amount as an application deposit for three to five years. India is proud of its telecom reforms, which have benefited the rich and the poor alike. Today people from all walks of life including small/self-employed service providers are holding an affordable mobile phone & in many states companies are competing to gain customers and there is no waiting list. Mobile telephone services have become so cheap now that subscriptions have outpaced fixed line connections. In 2005 and 2006 on average 4.5 million new



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mobile subscribers were added every month. It has increased their daily earnings to 3 - 4 times. The Tele density has increased from 1% to 15%.

In India the liberalization of telecommunications was ushered in the early 1990s by the Congress regime, the nationalist BJP regime further liberalized the industry.



OBJECTIVE

- To study the impact of competition introduced through deregulation on the prices of services provided by Bharti (Airtel), Vodafone (Hutch), Idea and MTNL.
- To study the impact of competition introduced through deregulation on the services provided by Bharti (Airtel), Vodafone (Hutch), Idea and MTNL.



METHODOLOGY

The objective of the study was to see the changes in the prices of services of the Telecom companies like Airtel, Vodafone (Hutch), Idea & MTNL since deregulation. The data was taken from the quarterly reports of the Telecom Regulatory Authority of India (TRAI) & a Telecom related magazine "Telecomlive". Using Graphs & Tables trends in changes in the prices of services have been shown.



DATA REQUIREMENTS & SOURCES

Data was taken from the quarterly reports of the TRAI (Telecom Regulatory Authority of India) & a Telecom related magazine “Telecomlive”.

Change in the Prices of Services

Before 1999, call rates were Rs 16.80/min for both outgoing & incoming calls for all the operators. In 1999 with the introduction of TTO (Telecom Tariff Order), call rates slashed to Rs 6/min since the telecom operators were given autonomy to fix their rates individually. For Airtel, call rates to fixed, WLL & cellular operators were Rs 5.40/min each & Rs 3.96 for incoming calls. In 2003, call rates for fixed line fell down to Rs 2.80/min & Rs 2.40 for cellular calls. Incoming calls were made free in 2003. In 2004, call rates for fixed, WLL & cellular slashed further to Rs 2.25/min each & in 2005 the call rates fell further to Rs 2/min for WLL/fixed & cellular. Thereafter all the call rates have stabilized. The curves for fixed & WLL calls are coinciding in 2002 since both the rates are same since 2002. The curves for outgoing calls is falling till 2004 thereafter it has stabilized. The incoming calls curve fell progressively & coincided with X-axis since incoming calls were made free in 2003.

In 2002 for Vodafone (Hutch) the call rates were Rs 5.4/min for all fixed, WLL & cellular calls. Incoming calls were charged at Rs 3.96/min but in 2003 call rates slashed to Rs 2.80/min for fixed/WLL calls & Rs 2.40/min for GSM calls. In 2004, call rates fell further to Rs 1.99/min for calls to all three



fixed/WLL/cellular phones. In 2005 call rates remained same for all three types of calls & thereafter all call rates remained constant. That's why the curves are first falling till 2004 & thereafter the curves are horizontal at Rs 1.99. In May 2003 Incoming calls are made free that's why the curve is initially falling & in 2003 coinciding with the horizontal axis.

Idea was established in 2002 only. Call rates in 2003 were Rs2.49/min for cellular, fixed & WLL calls. In 2004, call rates slashed to Rs 1.75/min for fixed, WLL & cellular calls. In 2005, call rates were same as in 2004. In 2006 call rates increased marginally to Rs 1.99/min fixed & WLL but fell for GSM calls to Rs 0.99/min. In 2007, call rates were increased for GSM to Rs 1.99/min & were same for fixed & WLL operators. That's why the curves for fix & WLL calls are coinciding with each other. The curve for incoming calls is coinciding with the x-axis since incoming calls are free since 2003. The curve for outgoing cellular calls is falling first from 2.49 to 1.75 then again fallen to 0.99 & finally rising to 1.99. The call rates are almost identical for all the three players since 2005. Competition has lead to falling prices. If one Player reduced call rates, there is pressure on others to reduce call rates equally.

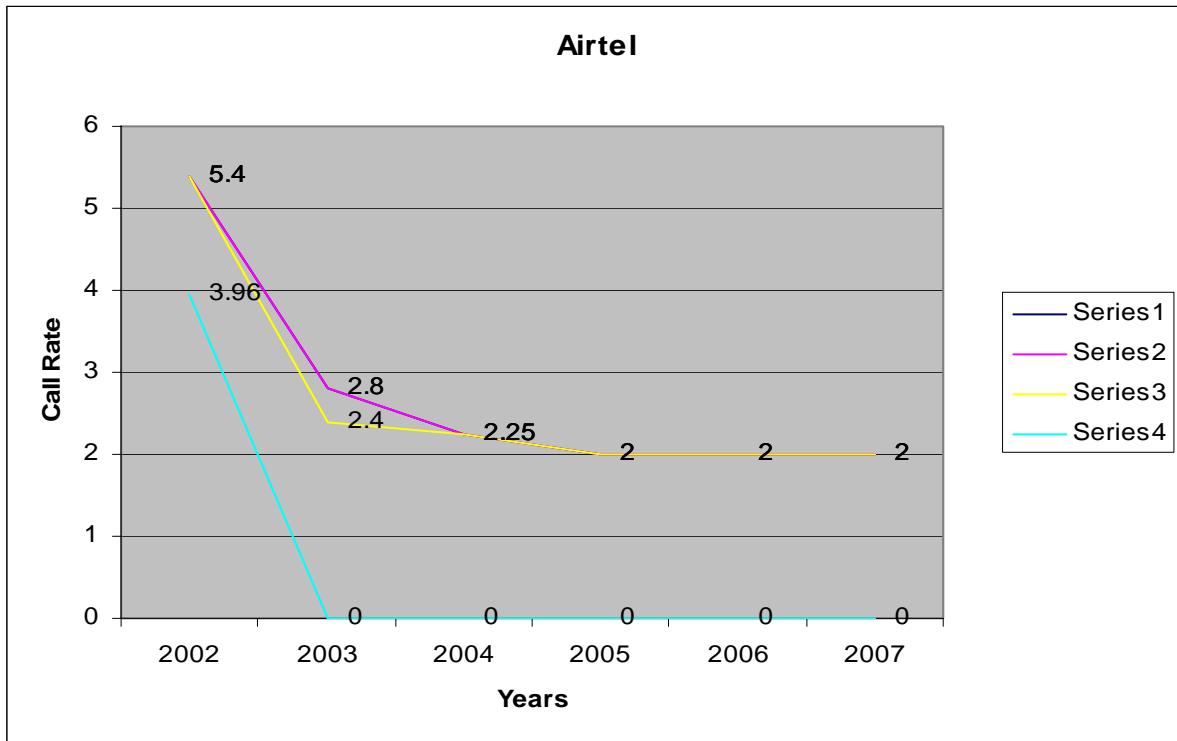


For MTNL in 2002, the call rate was Rs 2.50/min for outgoing & Rs 1.80/min for incoming calls. In 2003, calls rates slashed to Rs 2.6/min for fixed & WLL calls and Rs 2.10 for cellular calls. In 2004, call rates were same as in 2003. In 2005, the call rates fell further to Rs 2/min for WLL/fixed & for cellular Rs 1.50/min for calls to all operators. In 2006, call rates remained same as 2005. In 2007 call rates slashed further to Rs 1.20/min for all Fixed, WLL & Cellular calls. So, MTNL also faced competition from other Players & therefore reduced rates. The curve for fixed & WLL calls are coinciding as they are identical since 2002. The curve for outgoing cellular is also downward falling from Rs. 2.5 to 2.1 to 1.5 to 1.2 finally. As for other players incoming calls curve is coinciding with the x-axis after 2003 since incoming calls were made free in 2003.

These trends can be seen in the following tables and graphs.

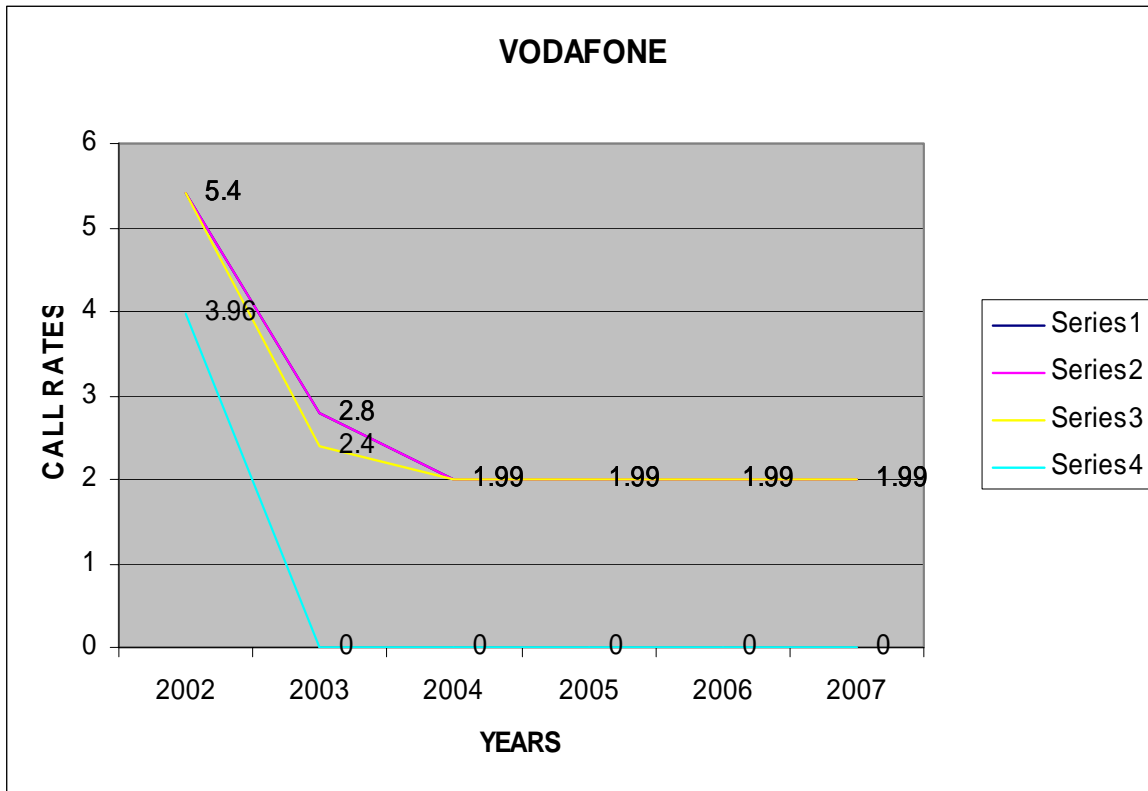
AIRTEL

YEAR	O/GFIX	O/G WLL	O/GCELLULAR	I/C
Sep-02	5.4	5.4	5.4	3.96
Sep-03	2.8	2.8	2.4	0
Sep-04	2.25	2.25	2.25	0
Sep-05	2	2	2	0
Sep-06	2	2	2	0
Sep-07	2	2	2	0



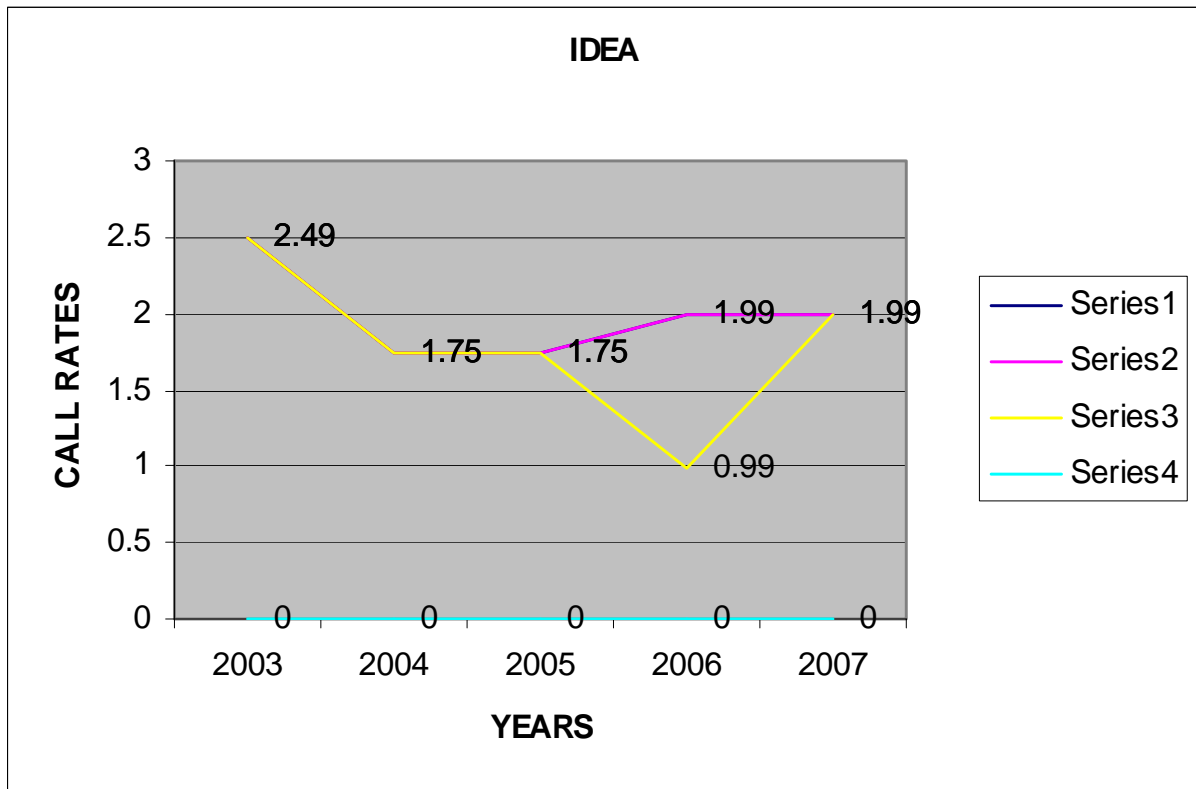
VODAFONE

YEAR	O/GFIX	O/G WLL	O/GCELLULAR	I/C
Sep02	5.4	5.4	5.4	3.96
Sep03	2.8	2.8	2.4	0
Sep04	1.99	1.99	1.99	0
Sep05	1.99	1.99	1.99	0
Sep06	1.99	1.99	1.99	0
Sep07	1.99	1.99	1.99	0



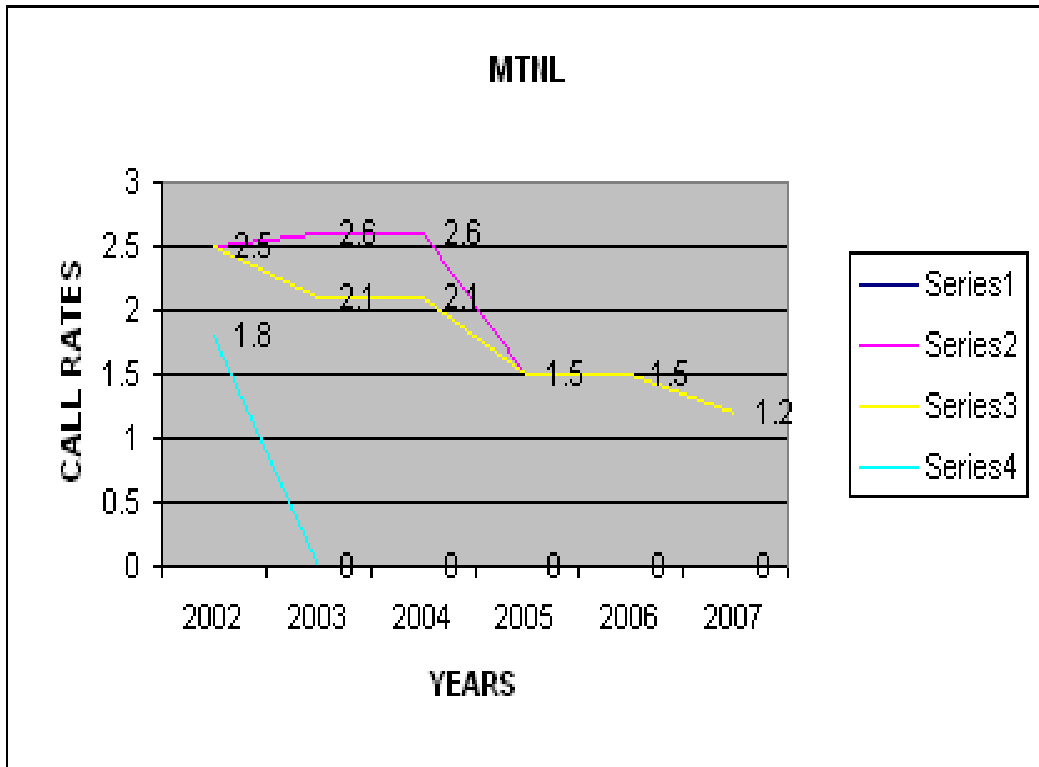
IDEA

YEAR	O/GFIX	O/G WLL	O/GCELLULAR	I/C
Sep-03	2.49	2.49	2.49	0
Sep-04	1.75	1.75	1.75	0
Sep-05	1.75	1.75	1.75	0
Sep-06	1.99	1.99	0.99	0
Sep-07	1.99	1.99	1.99	0



MTNL

YEAR	O/GFIX	O/G WLL	O/GCELLULAR	I/C
Sep-02	2.5	2.5	2.5	1.8
Sep-03	2.6	2.6	2.1	0
Sep-04	2.6	2.6	2.1	0
Sep-05	1.5	1.5	1.5	0
Sep-06	1.5	1.5	1.5	0
Sep-07	1.2	1.2	1.2	0



Change in service Charges

- In 2002, for Airtel the calling value which a customer used to get on recharges of 300/500/1000/2000/3000 were 78.8/368.8 /843.8/1793.8/2743.8 with validities of 30/30/60 /120/180 days respectively. For Vodafone (Hutch), the calling value which a customer used to get on the recharges of Rs 525/315/350/1050 were Rs 394.05/194.05/227.38/894.05 with validities of 30/30/30/60 days respectively. Idea was launched in 2002 only. In MTNL, the calling values on recharges of 300/500/ 1000/2000 were 250/400/800/1500 with validities of 30/45/100 & 210 days respectively.
- In 2003, the recharge coupons for Airtel were available for Rs 100/300/360/500/1000/3000 & the calling values were Rs 67/ 126/188.33/310/770/2460 with validities of 0/30/30/30/60/365 days respectively. Compared to 2002, both the validities & talk time had undergone a substantial change. Say for instance, Rs 1000 & Rs 3000 recharges talk time(TT) were Rs 843 & 2743.8 in 2002 with validities of 60 & 180 days in 2003, for the same recharge coupons though the talk time has reduced to 770 & 2460 but the validities has increased to 60 & 365 days. For Hutch in 2003, the recharge coupons were available for Rs 108/324 /360/550/1080/1550/2150 & the talk times were Rs 75/150/183 /359/850/1285/1841 with validities of 0/30/30/30/60/90 & 120

days respectively. In 2002, for eg for Rs 350 plan talk time was 227. 38 with validity of 30 days in 2003 for same plan talk time reduced to Rs 183 with validity 30 days.

- But the major difference between 2002 & 2003 is that in the year 2002, the pulse rate was 30 sec & in the year 2003 the pulse rate was increased to 60 sec. so, the minor fall in talk time is offset by the increase in pulse rate. In net terms the consumer had gained in 2003 as compared to 2002.
- For Idea, in 2003 recharge coupons were available for Rs 324 /360/540/1080/3240 with TT of Rs 174/210/390/930/3090 with validities of 30/30/30/60 & 365 days respectively.
- For MTNL the recharge coupons were available for Rs 300/500/ 1000 & 2000 with talk time Rs 250/400/800/1500 & validity of 30/60/120 & 360 days respectively. For MTNL drastic change has come in terms of validity like for Rs 2000 recharge In 2002 validity was 210 days but in 2003 validity was increased to 360 days.
- In the year 2004, for Airtel recharge coupons were available for Rs 55/111/331/368/551 with talk times of Rs 17/67.73/150.36/ 184.94 & Rs 350 with validities of 5/0/30/30 & 30 days respectively. In both the validity & talk time no drastic changes have come very minor changes came. For Vodafone (Hutch) in 2004, the following recharge coupons were available Rs55/115/ 220/335/375 with talk time of Rs 17/58/90/154/190 with validity



of 0/0/15/30 & 30 days respectively. In Vodafone (Hutch) also no drastic changes have come in both TT & validity but minor changes are there. For Idea in 2004 the following recharge coupons were available 55/110/220/330/360/550 with talk time 19.6/44.82/89.64/149.46/176.68/349.09 with validities of 5/10/15/30/30 & 30 days. So, no drastic changes came compared to 2003. For MTNL, following recharge coupons were available Rs 110/331/551/1102/2204 with TT of 60/240/440/940/2000 with validities of 7/30/60/150 & 360 days respectively. So, no drastic change came compared to 2003.

In 2005, for Airtel the following recharge coupons were available 115/225/335/375/575/998/1150 with talk time of Rs 57.88/75/153.99/190.29/371.78/25/893.56 with validities of 0/15/30/30/30/365/ & 60 days respectively. Compared to 2004, no drastic change came. For Vodafone (Hutch) Rs 55/115/220/335/335/335/375/575/1150 recharges were available with talk time Rs 17/58/90/154/0/215/190/372 & 894 with validities of 0/0/15/30/45/0/30/60 & 60 days respectively. For Idea Rs 115/150/220/335/350/375/575/1150 recharges were available with talk time of Rs 58/81.1/89.64/133.99/157.60/190.29/471.77/893.55 with validity of 0/10/15/30/30/30/30/75 days respectively. No drastic change in both Vodafone (Hutch) & Idea as compared to September 2004.

For MTNL following recharge coupons were available 110/330/550 & 1100 with TT of Rs 50/200/400 & 800 with



validity of 7/30/60 & 150 days respectively minor changes came as compared to 2004.

- In September 2006 for Airtel, the following recharge coupons were available 10/25/50/115/125/200/225/335/345/375/390/575/590/899/1150/3350/3500 & the talk time were 8.91/22.27/44.55/102.46/111.37/47.61/71.29/148.47/177.38/184.11/217.47/362.30/395.66/55/874.59/2684.68/2818.3 with validities 0/0/0/0/30/15/30/30/30/30/30/30/30/60/366/366 days respectively.
- In Vodafone (Hutch) the following recharges were available Rs 10/55/115/335/199/350/400/450/600/899/1250/3500 with talk time of 8.91/49/102.46/303.99/46.72/181.83/226.38/150/404.57/550/963/2818 with validities of 0/0/0/0/30/30/30/30/30/30/60/365 days respectively.
- In Idea the following recharge coupons were available Rs 50/115/150/220/249/335/350/375/575/899/1150/3350 with TT of 44.55/102.46/133.64/86.01/0/148.47/161.83/184.11/462.30/535.17/874.59/2984.68 with validities of 0/0/10/15/30/30/30/30/30/30/75/365 days respectively.
- In MTNL the following recharges were available Rs 100/110/175/225/340/565/900/675/1125/2250 with TT of Rs 89/65/55/250/200/500/550/600/900/2000 with available of 0/7/30/0/30/0/30/60/150 & 360 days respectively.
- The major change come in recharge coupons like for Vodafone in Rs 55 recharge people used to get 17 Rs & 0 validity in 2005 & in



2006 People get Rs 49 with zero validity on the same recharge. So, the talk time has almost doubled with same validity. For Idea in 2005, in Rs 115 plan people used to get Rs 58 with zero validity. In 2006, people get Rs 102.48 with zero validity in the same recharge. So, in case of idea also the talk time almost doubled with same validity.

- For Airtel 2005 on 115 recharge people used to get Rs 57.88 with zero validity in 2006 on same recharge people used to get 102.46 with same validity. So, in Airtel also the talk time almost doubled.
- In MTNL, in 2005 on recharge of 110 people used to get Rs 50 with 7 days validity. In 2006 people get Rs 65 with 7 days validity. In case of MTNL the talk time increased with same validity.
- In 2007, for Airtel the following recharge coupons are available 10/25/55/99/125/200/249/345/390/399/499/590/899/1175/3500/with talk time of Rs 6.40/19.75/43.95/101.25/ 47.42/ 221.85/177.05/217.10/355.49/444.58/395.10/550/895.75/2815 with validities of 0/0/0/30/0/30/30/30/30/30/30/30/ 30/60 /366 days respectively.
- In Hutch the following recharge coupons are available Rs 10/55/99/115/199/220/348/350/400/450/499/600/899/3500 with talk time Rs 6.40/43.95/10 /92.35/47.11 /47/185/181.5 /226.38/150/344/404/550.02/2814.99 with validities 0/0/30 /0/30/30/ 30/30/30/30/30/30/30/ 366 days respectively.

- In Idea the following recharge coupons are available Rs 10/25/50/100/200/250/350/400/500/600/899/2000 with TT of Rs 5.9 /19.75/39.5/74/47.47/100/199.5/256/445/434/535.17/1679 & validity of 0/0/0/0/30/30/30/30/45/45/30/180 days respectively.

In MTNL, the following recharge coupons are available Rs 100/110/ 175/ 200/ 275/ 223/ 340/ 565/ 675/ 900/ 1125/ 1785/2250 / 2700 with TT of Rs 89/ 65/ 55/ /250 /100/ 1/ 300/ 650/ 750/ 799/ 1100/ 2200/ /2500/ 3000/ & validity of 0/ 7/ 30/ 0 /30/ 30/ 30/0/ 60/ 30/ 150/ 0/ 360 & 1095 days respectively .

There is almost no or marginal charge in the talk time values & validities of different plans as compared to 2006.

There are a lot of services which are introduced after 1999 in the Indian telecom sector which were not available before. In 1999 with the coming of Telecom Tariff Order (TTO) different plans emerged. Before 1999 only one plan existed.

In recent years, the recharge coupons are available for even Rs 10, 25, 50 (which are top-ups) for people who have validity & want talk time can recharge & get the TT with changing times needs are changing & the telecom companies are doing great efforts to reach the expectations of customers. The following changes are worth mentioning:-

- Life time prepaid card is available for around Rs 500 for Idea, Hutch & Airtel it gives validity for lifetime which was not available before 2004.

- Night chat card is available which has several benefits like calls to the same operator b/w 11 pm-7am at Rs .10/min, local SMS to same operator free & call rates to other GSM players are reduced to Rs .50/min & STD calls at around Rs 1.32.
- Almost all players provide free calls to the same operator for some new recharge of Rs 250 & allowed for 30 days.
- Full talk times on recharges are also available like in Idea's Rs 222, 555 recharges full talk time is available & on MTNL with zero validities (TRUMP) 200 recharge one gets Rs250 & on Rs 675 recharge. One gets Rs 750 with 60 days validities.
- Many caller tunes, ring tones dialer tones are available for customer now a days & many other services are available like cricket updates, movie updates, astrology, one can book tickets through his/ her mobile phone & can get bollywood updates etc.
- Cards like double talk card in Idea, Two to talk in Vodafone & Airtel are very popular. These cards cost about Rs. 69 & provides benefits to the customer who has validity & talk time. The benefits are :
 - Reduces local sms tariff at Rs .20/ SMS local same operator calls at Rs .49/min, STD at Rs 1.32/min, .99/min calls at other both fixed & GSM.



- India's telecom tariffs which are the lowest in the world can fall further by over 50% to about 40paise per minute, reported ET. according to an internal note of the DoT over-age mobile tariffs which are currently at about Rs 1 per min call fall over 50%, If four new players were to entire the fray coupled with the implementation of new norms such as usage of dual technology, number portability & allocation of spectrum to new players & existing operators who want to spread then networks to a pan India sace. Currently only Airtel , Rcom & BSNL have a pan India presence, while Vodafone & Idea are waiting for spectrum to go pan India.

LIMITATIONS OF THE STUDY

- All the Telecom Players have not been taken for the study.
- The study is confined to GSM Players & that too only for Delhi.
- Data gap is another limitation: Data for the years 2000 & 2001 was not available.



- The study analyses only deregulation as a factor for reduction in the call rates & improvement in services. Other factors like the reducing cost nature of Telecom Industry are not taken in to account since it is not possible at this stage to study all the factors leading to reduction of costs.

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