

Competition Policy in Telecommunications in India

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International experience

- Increasing competition in basic and wireless services
- Incumbents tend to dominate markets even where competition has been introduced
- Liberalization by itself does not bring about competition

International experience (contd..)

Reasons for concentration of market power

- Strong network effects
- Large sunk costs
- History of a public monopoly
- Scale and scope economies
- Benefits of established networks
- Vertical integration

International experience (contd..)

Regulation and competition laws

- 112 countries have a telecommunications regulator (ex ante)
- Large number of countries also have competition laws (ex post)
- Standard anti-competitive laws
 - Anti-competitive agreements
 - Abuse by dominant firms
 - Mergers and acquisitions

International Experience (contd..) abuse by dominant firms and mergers

- Accounting separation
- Vertical or horizontal structural separation
- Divestiture
- Line of business restriction
- Efficiency vs. monopolization

International experience (contd..)

Some issues

- competition law principles introduced into regulation
- Broad based funding of USO obligations
- Mandated interconnection and access obligations
- Asymmetric regulation
- Access to the internet (local access, international access)

Indian Experience

Policy and laws

- National Telecom Policy 1994
- New Telecom Policy 1999
- Telecom Regulatory Authority of India (TRAI) Act, 1997.
- TRAI (amendment) Act, 2000, TDSAT
- Communications Convergence bill (2000)
- Competition Bill (2001)

Indian Experience

Evolution of Industry

- Mobile telephony operators licensed
- Move to revenue sharing
- Rapid growth, falling prices
- Changes in the structure of the industry, consolidation and expansion
- Restructuring of DOT into BSNL
- Sale of VSNL

Indian Experience Competition

- Tariff rebalancing by the TRAI
- Interconnection and ADC
- Universal service obligations
- Carrier Selection
- Accounting separation

International Cases

EU

- abuse of dominant position by telefonica in the Spanish broadband market (2006)
- Commission fines Deutsche Telecom for charging anti-competitive tariffs (2003)
- Failure to provide right of way in Luxemborg (2000)
- Investigation into mobile roaming (2000)
- Commission approves restructuring of CEGETEL (2000)

International Cases

UK

- charges made by Vodafone, O2, Orange and T-Mobile for terminating calls from fixed and mobile networks
- Charges paid by customers of BT for calling phones on Cellnet or Vodaphone
- Merger of British Telecom and Mitel
- Chatline and message services by BT

International cases

- Merger between Intelsat and PanAmsat (South Africa)
- AT&T and McCaw Cellular merger (U.S.)
- BT purchasing 20% in MCI
- AT&T-Comcast merger
- AT&T-Bell South merger

Indian Situation

- License fees not paid by BSNL, MTNL
- Predatory pricing by Reliance
- Interconnection problems with BSNL
- Access Deficit Charges
- Mergers due to losses, different guidelines
- Operators in contiguous circles required to use long distance services to connect

Merger guidelines

- Merger not allowed if number of operators falls below 3
- TRAI will examine in detail if the merged entity has a market share of more than 50% or if the 2 firm concentration ratio is more than 75%
- Spectrum capped at 15MHz for metros and category A circles and at 12.4 MHz for B and C
- Notify TRAI and get permission from DOT

Measures of competition

- Market definition
- HHI indices for mobile telephony increase from 1200 in 2002 to 1700 in end 2005.
- HHI indices for fixed-line telephony remain above 5000
- End 2005, HHI indices: fixed-line 5721, mobile 1590, combined 2056

Research Agenda

- State of competition in telecommunications in India
- Anti-competitive behaviour and remedies
- Hypothetical case (merger, predatory pricing)