Competition Policy in Telecommunications in India

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Telecommunications

- Fixed access local (fixed, fixed mobile (WLL-CDMA)
- Cellular mobile (GSM, CDMA)
- National Long Distance
- International Long Distance (international connectivity)
- Internet Service Providers (telephony, dial-up, broadband, cyber cafes)

Table 1. Ranking and Revenues of Top 5 operators in different segments 2004-05

Service Providers		Cellular Services		Fixed Services	
Company	Revenue (cr)	Company	Revenue (cr)	Company	Revenue (cr)
BSNL	36,303	Bharati	5436	BSNL	28989
Bharati	8035	Hutch	4365	MTNL	5291
MTNL	6084	Reliance	4089	Bharati	1127
Reliance	5387	BSNL	3700	Tata	900
Hutch	4365	Idea	2409	Tata (Mah)	627
NLD Services		**ILD Services**		**Internet Services**	
Company	**Revenue (cr)**	**Company**	**Revenue (cr)**	**Company**	**No of subs**
BSNL	5041	VSNL	2,080	BSNL	1839815
Bharati	482	Bharati	810	MTNL	1012041
Reliance	381	Reliance	655	Sify	811965
VSNL	231	Data Access	285	VSNL	702629
				Reliance	246832

Revenues and Growth, Different Segments 2004-05

Service Category	Revenue		Growth (%)
	2004-05	2003-04	
Fixed Access	32,632	33,040	-1
Cellular	23,284	14,267	63
NLD	6,261	5,140	22
ILD	3,830	4,346	-12
Internet Access	1,592	1,573	1
Total			

Top 10 Companies, 2004-05

Rank	Vendor	Revenue (Rs. cr)	Category
1	BSNL	36,303	Fixed, Cellular, ISP, NLD, ILD
2	Bharati Tele-Ventures	8035	Fixed, Cellular, ISP, NLD, ILD
3	MTNL	6084	Fixed, Cellular, ISP
4	Reliance Infocomm	5387	Fixed, Cellular, ISP, NLD, ILD
5	Hutch	4365	Cellular
6	VSNL	3410	ISP, NLD, ILD
7	IDEA	2409	Cellular
8	Tata Teleservices	1253	Fixed, Cellular, ISP
9	Tata Teleservices (Mah)	837	Fixed, Cellular, ISP
10	Aircell	741	Cellular

Mobile Services

- 1995-96: Start operations, 23 licenses, 4 metros, 18 circles, subscriber no. 63,642
- 1996-97: subscriber no. 376,000, 86.7% metros, Delhi 41.7%, Mumbai 30%, Bharati leader with 82,000, pricing and bundling important, license fee defaults, MTNL entry, ARPU decline
- 1997-98: subscriber no. 8.82 lakh, 5.41 lakh in metros, growth higher in non-metros, 400 crore losses, lower growth, Rs. 500 levy

Mobile Services

- 1998-99: subscriber no. 11.95 lakh, metro decline to 5.19 lakh from 5.6 lakh, total loss Rs. 5000 crores, focus on high usage because of levy, NTP 99 announced
- 1999-2000: subscriber no 1.8 million, move to revenue share, tussle between MTNL, DOT with TRAI over CPP and MTNL entry into mobile with CDMA, consolidation

Mobile Services

- 2000-01: 1st year of normal business, 3.57 million subscribers, revenues Rs. 3,865.29 crores, 89% increase, stress on pre-paid, strong advertising, brand-building, ARPU-Rs. 731, pre-paid ARPU – Rs. 450, post-paid – Rs. 970, increase in roaming revenues, popularity of SMS, more consolidation, low quality of service, fixed operators allowed into limited mobility, third and fourth operator

Mobile services

- 2001-02: 7 million subscribers, Leader Bharati followed by Hutch, BPL, Idea, Escotel, Spice, Reliance, mostly voice, Growth rates: metros – 88.4%, A circles – 83.1%, B circles – 60.9%, C circles – 96.1% Postpaid prices decrease by 24% to Rs. 3.67, Pre-paid decrease by 4% to Rs. 5.43, TRAI: cap roaming charges to Rs. 3, monthly rental to Rs. 100, handset prices fall, BSNL, MTNL refuse to sign interconnect agreements, communication convergence bill

Mobile Services

- 2002-03: 12.69 million subscribers, entry of BSNL – 2nd largest, Bharati – 3.07 million, BSNL – 2.25 million, Hutch – 2.16 million, Idea – 1.13 million, BPL – 1.13 million Spice and Escotel (small players) – 0.64 and 0.58 million, BSNL – spread of cellular in smaller cities and towns, Revenues – Bharati 1st and Hutch 2nd, ARPU – Rs. 597, usage – 290 min from 200 min previous year

Mobile services

- 2003-04: 33 million subscribers, entry of Reliance with 6.9 million subscribers, tariff decline of 23%, ARPU fell to Rs. 475, Size (subscribers): Reliance, Bharati, BSNL, Hutch, Size (revenues): Bharati, Hutch, Reliance, BSNL, 1st full year of profit for Bharati, increased strategic activity (recharging), more consolidation

Mobile Services

- 2004-05: 52.35 million subscribers, overtook fixed, Bharati – 1st with 21% subscribers, 23% revenues, non-voice revenues
- 2005-06: 90.8 million subscribers, Tata Teleservices – strongest growth, FDI limit increased to 74%, Hutch large jump in subscriber nos through acquisitions

Competition in Mobile Services

- Concentration Ratios, HHI: All segments except mobile fairly concentrated (0.12-2002, 0.15-2007)
- Price-cost margins: Prices lowest in the world, losses of mobile operators
- Strategic activity: Entry, Change in positions, marketing, advertising, product differentiation
- M&A, Incumbent behaviour: consolidation, interconnection

	2002	2003	2004	2005	2006	2007
Bharati	1	1	2	1	2	1
Hutch	2	4	5	4	4	4
BPL	3	6	6	7	7	12
Idea	4	5	4	5	5	5
Escotel	5	9				
Spice	6	7	8	8	10	9
Sterling	7					
Reliance	8	3	1	2	1	2
Fascel	9		9	10	8	8
MTNL	10	10	11	11	9	10
Usha Martin	11					
RPG	12					
Aircel	13	8	7	6	7	7
Hexacom	14		12	12	11	
Koshika	15					
BSNL	16	2	3	3	3	3
Dishnet					12	11
Escorts					15	
HFCL		13	13	13	13	13
Tata		11	10	9	6	6
Shyam		12	14	14	14	14

	2003	2004	2005	2006	2007
Bharati	134.24	103.26	59.06	85.36	61.99
Hutch	30.73	101.61	44.63	78.29	53.00
BPL	23.70	81.12	24.27	21.63	-66.34
Idea	68.07	201.51	35.40	31.65	85.10
Escotel	-39.64				
Spice	26.87	86.03	15.30	38.37	26.06
Sterling					
Reliance	387.06	314.69	37.32	92.03	46.07
Fascel			28.88	96.93	51.48
MTNL	44.63	33.41	161.95	102.06	19.11
Usha Martin					
RPG					
Aircel	325.49	347.77	66.20	62.24	55.64
Hexacom			103.03	81.58	-100.00
Koshika					
BSNL	9552.47	136.51	78.00	82.23	35.40
Dishnet					159.91
Escorts					-100.00
HFCL		24.38	69.31	8.38	15.54
Tata		299.14	103.14	345.16	81.48
Shyam		-18.26	-0.39	2.25	24.32

Delhi	**Chennai**	**Maharashtra**	**AP**	**Tamil Nadu**	**UP (East)**
Bharati	Aircell	Idea	Bharati	Aircell	BSNL
Hutch	Bharati	Bharati	BSNL	BSNL	Aircell
Idea	BSNL	BSNL	Idea	Bharati	Bharati
MTNL	Hutch	Hutch	Hutch	Hutch	Idea
Mumbai	**Kolkata**	**Gujrat**	**Karnataka**	**UP (West)**	**North East**
Hutch	Hutch	Fascel	Bharati	Idea	BSNL
Bharati	Bharati	Idea	Hutch	Hutch	Dishnet
MTNL	BSNL	Bharati	BSNL	BSNL	Bharati
BPL	Reliance	BSNL	Spice	Bharati	Reliance

Rest of Paper

- Description of other segments, competition in basic
- Policy
- Regulation and competition
- International Cases
- Indian cases: MTNL-BSNL merger, Hutch acquisition, Predatory pricing by BSNL, Cartelization(?)

International Cases (Turkey)

- Turkcell’s restrictive practices in mobile telephony and mobile handset markets
- The essential facility doctrine and mobile infrastructure: the roaming case
- Abuse of dominant position in the markets for internet services and internet infrastructure

South Africa, Mexico

- Abuse of dominance by Telkom in VANS
- Declaration stating that Telmex enjoys substantial market power in five relevant markets
- Auction to allocate spectrum at the 1.9 GHz band.

European Union

- Abuse of dominant position by Deutsche Telecom AG (DTAG) through unfair prices for the provision of local access
- Abuse of dominant position by Wanadoo Interactive through predatory pricing in ADSL based internet access services
- Anti-competitive agreements in the mobile telephony market

United States

- Merger between Verizon and MCI as well as the merger between SBC Communications and AT&T
- Merger between Echostar Communications and Hughes Electronic

Conclusions

- Competition policy issues important
- Technology can help or hinder
- Competition in mobile, less in ILD, NLD, even less in ISP, least in fixed (relevant market)
- Competition law principles in regulation
- Build capacity to evaluate competition in dynamic markets
- Taming the incumbent

Where do we go from here?

- Paper already 50 pages
- All sections need improvements
- Could become too long
- Write two different papers
- 1st paper: Industry development, regulation, policy and privatization
- 2nd paper: Competition issues, market definition, analyze Indian cases, international cases