The beginning of the new data era has brought a significant change in the dynamics of the Indian telecom industry. Over-the-top (OTT) services have gained prominence. These are available at a low or no subscription cost and thus, augment data usage on networks. The growing number of data users, however, has resulted in network congestion, given the limited availability of spectrum. This has made traffic management an important part of operator strategy, which, in various cases, had led to an alleged breach of net neutrality as operators prioritise some traffic over others.

It was, however, Bharti Airtel's move to start charging its subscribers for using voice-over-internet protocol (VoIP) services such as Skype and Viber that created a stir in the user community, and brought net neutrality and its adherence into the limelight. The debate reached a crescendo following the announcement of Mark Zuckerberg's Internet.org partnership with Reliance Communications and the introduction of Airtel Zero. The latter is a platform wherein Airtel will allow content providers to use its networks in lieu of a hefty fee. Users, however, will have free access to this content. As a result, Airtel's subscribers are likely to use these services more than those provided by content and service providers who have not partnered with Airtel, which may lead to preferential access. The operator has, however, stated that the Zero plan has been misconstrued and is, in fact, no different from a regular toll-free service.

The raging debate on net neutrality in India comes at a time when the country is at the cusp of a data revolution. It is, in fact, the power of a "neutral" internet and impartial access to social networking sites such as Facebook and Twitter that lent a voice to this debate and made net neutrality a topic of national interest. The country saw thousands of people coming together on these platforms and responding to the Telecom Regulatory Authority of India's (TRAI) consultation paper on regulating OTT players and net neutrality, in a bid to "save the internet".

India currently does not have a policy or regulatory framework governing OTT operations within the country. Nor does it have a policy/law that mandates the upholding of the net neutrality concept by operators. TRAI's consultation paper has provided the industry with a platform to provide their inputs and perspective on what should be the way forward in this regard.

It is interesting to note that the industry stands divided on the existence of net neutrality in its purest form. While many telecom experts hold that consumer interest should not be jeopardised

in any way, others believe that the issues and challenges faced by operators should be factored in.

According to Hemant M. Joshi, partner, Deloitte Haskins & Sells, “Differential pricing based on capacity usage and quality of service has been the norm in several industries. For instance, airlines charge differently for the space usage for the business and economy classes and provide priority check-in and specialised service according to the class. The amount of the highway toll varies by vehicle type, weight, or number of axles, with freight trucks often being charged higher rates than cars. On this basis, operators have a rationale to charge for different applications according to the data traffic generated and the type of connectivity parameters (high availability, reliability, security, etc.).”

Inderpreet Kaur, analyst, Asia-Pacific, Ovum Consulting, adds, “While zero rating was not among the core issues of net neutrality, including speed throttling, blocking of a service, or paid prioritisation of content, it advocates the creation of a preferred market or a non-paid channel through the internet. Operators have been offering free access to popular OTT services such as Wikipedia, Facebook and WhatsApp, in a bid to encourage users to start using their mobile broadband services. Proponents of services such as Internet.org and Airtel Zero must take cognizance of the high price sensitivity of Indian consumers. Zero rating and similar practices are like a two-edged sword. While they may lead to a digital space with skewed competition in the long run, zero rating could also make an impact in driving the adoption of mobile broadband, especially in a country like India. The role of the regulators is to create or provide a level playing field. However, they also need to strike a balance between competition and consumer welfare. At this early stage, regulators and the advocates of platforms such as Internet.org and Airtel Zero should become more transparent with the selection criteria of the content partners and services that are to be offered through such platforms.”

Kunal Walia, principal, Analysys Mason, says, “The discussion is regarding whether net neutrality should go beyond just the neutral treatment of traffic (throttling, blocking or prioritising specific players over others), or extend to the commercial relationships between content providers and operators. That is to say whether or not there should be a ban preventing telecom operators from charging content providers, at least in some cases. Commercial arrangements have always been around; however, they have never been under the lens like they are now. Obviously there is much more at stake now. Internet companies have seen valuations go through the roof and the competition is not just between these companies but also their owners. On the other hand, mobile operators have seen their business models change over time as their hold over the end-user has changed to a certain degree.”

Operators' perspective: Same service, same rules

Data services have become central to operator strategies, as these will be the new building blocks of their growth and profitability. Operators realise that a major part of this data growth is being driven by OTT applications and are supportive of the idea of more such applications coming on board. However, in recent times, the growing adoption of OTT services has become a major cause of concern for operators' sustainability. According to Nigel Eastwood, chief executive officer, New Call Telecom, "The user base of OTT messaging services has grown to more than 1 billion in less than five years, impacting service providers all over the world. This impact has also been felt in India. The short-term threat is obvious, and the situation is dire."

Many OTT players offer services that compete with traditional services offered by operators. For instance, Skype, and now WhatsApp, allow users to make VoIP calls for free using a Wi-Fi or a cellular data service. This is resulting in revenue cannabilisation as voice services are still the mainstay of operators. They also bore the brunt of this shift when free texting applications made a significant dent in their SMS revenues, which have been on a decline ever since.

As per existing industry practices, there is no concrete revenue sharing arrangement between OTTs and telecom operators in India. What hurts operators the most is that unlike them, OTT service providers are not subject to licensing norms and regulations. These services, in fact, simply ride on the infrastructure created, managed and upgraded by operators. As per the Cellular Operators Association of India, the telecom industry has made investments of Rs 7,500 billion in the past 20 years, which include investments in acquiring spectrum, upgrading infrastructure, as well as creating new infrastructure to improve service availability and delivery. However, the rate of return on investments (RoI) stands at a mere 1 per cent. Further, the industry needs another Rs 5,000 billion of investments to be made in the next five years, in order to ensure internet availability on a mass scale.

Such a level of investments is not easy to realise given the poor RoI and the cumulative debt of over Rs 3,000 billion that the industry has. The situation will become grimmer with the growing dominance of OTT services as, in such a scenario, operators will only serve as dumb pipes for these OTT services.

Further, in their defence, operators have stated that with the growing data uptake, traffic management is becoming extremely crucial. "Spectrum is limited in India and, therefore, the networks are congested, with very low spectrum available per million users," says Joshi. As per

operators, this prioritisation between different types of traffic should not be perceived as a breach of net neutrality. “In fact, the European Union is considering allowing “specialised services” with a few priority services with fast-lane internet connections,” adds Joshi.

Operators are demanding a level playing field where OTT players (or at least those that offer similar communication services as operators) will be subject to the same set of regulations and licensing norms that are imposed on operators. According to Joshi, “Telecom operators can enter into revenue sharing arrangements with OTT players, thus helping to improve their profitability. They can control OTT services on their network and thus, will be able to provide exclusive services to differentiate their business offerings from those of other operators. They could modulate the traffic on their network by allowing priority and non-priority access for various data-intensive services such as games, audio/ video streaming and photo sharing at differential price points to reflect the usage of their networks.”

Counter-argument

The Internet & Mobile Association of India (IAMAI), the industry body that represents the interests of internet-based companies, gives no merit to the argument put forward by operators, stating that it is wrong to equate operators’ text and voice services with WhatsApp or Facebook’s instant messaging and Skype or Viber’s VoIP services, and therefore to bring them under the “same service, same rules” principle. According to the industry body, these services are contributing to faster data usage on operator networks. It explains that a one-hour call over IP can consume 25-35 MB for voice alone and 240 MB for video plus voice. “The arguments have been made with the clear-cut business motive of entering into some revenue-sharing arrangements with OTTs,” IAMAI suggests in its counter comments to TRAI’s consultation paper.

Further, there is a serious concern in the business community that any modification of the basic concept of net neutrality may result in stifling the start-up scenario in India. Start-ups and small developers do not have the financial backing or the bargaining power that internet giants have to sign partnerships with operators like Reliance Communications or Bharti Airtel. Discrimination with regard to the online presence may have a serious bearing on the overall entrepreneurial environment in the country. There should not be any internet fast-lanes reserved for a particular set of companies. Eastwood concurs, “Net neutrality is extremely important for small business owners, start-ups and entrepreneurs, who can simply launch their businesses online, advertise the products and sell them openly, without any discrimination. In my opinion, more than a regulatory framework, what we need is a law ensuring network neutrality. In a country like India, net neutrality has vast implications, especially for start-ups, many of whom are dependent on

the medium for the success of their businesses. A neutral internet means a level playing field. The absence of net neutrality also makes the industry susceptible to monopolistic behaviour. Each operator would be able to create little monopolies on its network, favouring a particular service. This is not how markets should operate. I robustly support an open internet, for which I believe it is critical to uphold net neutrality and reject any moves towards the licensing of internet applications and web services."

Analysys Mason's Walia counters this view, saying, "It is true that non-discriminatory commercial arrangements or an open internet do allow online start-ups to flourish. Open standards lower the barriers for small innovative technology companies to enter the market, and the sharing of open software leads to the development of better technology and innovation, therefore improving the quality of services provided to the end-user. However, non-discrimination does not mean that no money can change hands between providers. It can, provided that payments are based on objective and open criteria such as a rate card, and that the arrangements are not anti-competitive in nature or that the open platforms must necessarily interoperate with all relevant third parties. Interoperation may be limited, for instance, by capacity constraints; however, this should apply across a service type rather than to a service provider."

Calling a truce

At this point in time, the roadmap for net neutrality in India is quite unclear. A lot hinges on TRAI's recommendations in this regard. The regulator is currently in the process of collating and analysing the responses received to its consultation paper.

TRAI, on its part, is walking a tight rope. The minister of communications and IT has expressed the government's commitment to the integrity and fairness of the internet. Recently, he had hypothetically proposed that net neutrality could be included as one of the conditions for granting licences to telecom companies. He further stated that the final decision on the matter rests with the ministry, which can reject or alter TRAI's recommendations, if necessary. The Department of Telecommunications is framing its own report on net neutrality, which has recently been finalised.

On the other hand, the operator lobby is pressing for the regulation of OTT players. They are not willing to jeopardise the returns on investments made to develop data-based networks and to buy data-supporting spectrum over the years. Allowing OTT players to have their way and not

bringing them under the same regulations that operators are subject to may prove to be a big challenge with regard to their sustainability in the long term.

Striking a balance between the desires, needs and demands of all the stakeholders will be a herculean task for the regulator. It will be imperative for TRAI to do an in-depth analysis of the impact of the presence or absence of net neutrality on the dynamics of the Indian telecom sector, especially when only 10 per cent of the total users in the market subscribe to broadband services (as of March 2015).

The regulator needs to consider the commercial interests of telecom and technology companies in India without curbing user freedom to access any data services. The ongoing debate on net neutrality is not exclusive to the Indian market; countries the world over have been debating its existence in a pure or diluted form. Recommendations aimed at ensuring a robust ecosystem for operator growth and profitability while preserving consumer interest will be crucial in determining the fate of the internet in the country.

About Us We are Hiring Contact Us

Subscribe Privacy Policy Advertise Terms & Conditions

Copyright © 2010, tele.net.in All Rights Reserved