

Tussle between the regulators

What is the issue?

\n\n

\n

- TRAI came up with a consultation paper on “Regulatory principles of tariff assessment” which has questions on delineating relevant markets, assessing dominance, and predatory pricing.

\n

- Following this, the chairman of CCI has argued that the CCI is better placed to look into matters related to predatory pricing.

\n

\n\n

How is predatory pricing usually handled?

\n\n

\n

- Predatory pricing is a strategy where the dominant market player prices its products or services below costs to undercut its rival.

\n

- Recent offers by Reliance Jio have led to allegations of predatory pricing.

\n

- Usually, the **ex-ante competition matters** i.e. anticipated issues based on forecasts fell in the domain of **TRAI**.

\n

- The **ex-post matters** i.e. issues based on actual results such as predatory pricing fell in domain of **CCI**.

\n

- Predatory pricing is a highly specialized field of competition assessment.

\n

\n\n

Why does the existing mechanism need change?

\n\n

\n

- In the present mandate, only a dominant position holder can be punished for

engaging in predation.

\n

- The dominant position is determined based on market share.
- \n
- Reliance Jio is not in a dominant position.
- \n
- Hence the recent complaints before CCI bore no results, in spite of Reliance Jio using unfair competition measures in its “promotional offer” which went on for several months.
- \n
- Thus, the way CCI understands and acts against predatory pricing in the present scheme of legislative mandate is bound to leave an enforcement gap.
- \n

\n\n

What is the way out?

\n\n

\n

- These enforcement gaps can be filled by TRAI, which can fix ex-ante to ensure fair competition.
- \n
- Through this TRAI can ensure fair competition through means other than acting against mandated predatory pricing.
- \n
- TRAI could also limit the duration of promotional offers, which include below cost pricing, so that a level playing field is ensured for all market players.
- \n
- It could increase the interconnect usage charges (IUC) to a point where below cost pricing becomes unsustainable.
- \n
- TRAI could be given the mandate to specify the duration and features of promotional offers.
- \n
- The highly technical nature of this telecom sector issue has necessitated that CCI, a competition regulator consults with TRAI, a sector-specific regulator to ensure consumer welfare.
- \n

\n\n

Quick Facts

\n\n

TRAI

\n\n

Telecom Regulatory authority of India, established in 1997, by an Act of Parliament is to regulate telecom services and tariffs in India.

\n\n

CCI

\n\n

Competition Commission of India is a statutory body of the Government of India responsible for enforcing The Competition Act, 2002, to prevent activities that have an adverse effect on competition among companies in India.

\n\n

\n\n

Source: Livemint

\n

