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TELECOM REGULATORY AUTHORITY OF INDIA

THE TELECOMMUNICATION TARIFF (FORTY-EIGHTH AMENDMENT)  
ORDER, 2008

(3 OF 2008)

NOTIFICATION

New Delhi, the 1<sup>st</sup> day of September, 2008

No. 301-31/2007-Eco. — In exercise of the powers conferred upon it under sub-section (2) of section 11, read with sub-clause (i) of clause (b) of sub-section (1) of the said section, of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following Order further to amend the Telecommunication Tariff Order, 1999, namely: -

**1.** (1) This Order may be called the Telecommunication Tariff (Forty-eighth Amendment) Order, 2008.

(2) This Order shall come into force with effect from the 15<sup>th</sup> day of September 2008.

**2.** In clause 6 of the Telecommunication Tariff Order, 1999 (hereinafter referred to as the principal Tariff Order), after sub-clause (vii), the following sub-clauses shall be inserted, namely:-

“(viii) Where the terms and conditions of any tariff plan with lifetime validity or unlimited validity include any condition or stipulation which

requires any subscriber to recharge for any specified minimum amount within specified time periods or intervals during such validity so as to keep the said tariff plan valid, such specified time period or interval, shall, in no case, be less than six months:

(ix) In cases of straight tariff reductions where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers. Exercise of an option by the subscriber is relevant only when such options lead to any liability or adverse conditions on his part.”.

**3.** In Schedule II relating to Cellular Mobile Telecom Service (CMTS) to the principal Tariff Order, -----

(a) under the heading “TARIFF”, in the entries occurring against the item “(4) Installation charge”, for the words “offered by a service provider.”, the following words shall be substituted, namely:-

“offered by a service provider and no up-front payment or recurring charges or fee or any such amount by whatever name or description, shall be levied from a subscriber of an existing life-time validity plan or unlimited validity plan (hereafter referred to as existing tariff plan) if such subscriber opts for migration to a new life-time validity or unlimited validity plan with lower entry fee.”;

(b) under the heading “TARIFF”, in the entries occurring against the item “(6) Tariff for pre-paid service”, in the proviso, after clause (e), the following clause shall be inserted, namely:-

“(f) no amount, whether as fixed fee or otherwise other than---

(i) applicable taxes; and

(ii) a nominal fee, not exceeding two rupees towards administrative costs or expenses for each recharge under any tariff plan, shall be levied on any recharge exclusively meant for provision of talk time value.”.

[M. Kannan]  
Advisor (Economic)

Note.1. – The Telecommunication Tariff Order, 1999 was published in the Gazette of India, Extraordinary, Part III, Section 4 under notification no.99/3 dated 9th March, 1999, and subsequently amended as given below:-

Amendment No.	Notification No. and Date
1st	301-4/99-TRAI (Econ) dated 30.3.1999
2nd	301-4/99-TRAI(Econ) dated 31.5.1999
3rd	301-4/99-TRAI(Econ) dated 31.5.1999
4th	301-4/99-TRAI(Econ) dated 28.7.1999
5th	301-4/99-TRAI(Econ) dated 17.9.1999
6th	301-4/99-TRAI(Econ) dated 30.9.1999
7th	301-8/2000-TRAI(Econ) dated 30.3.2000
8th	301-8/2000-TRAI(Econ) dated 31.7.2000
9th	301-8/2000-TRAI(Econ) dated 28.8.2000
10th	306-1/99-TRAI(Econ) dated 9.11.2000
11th	310-1(5)/TRAI-2000 dated 25.1.2001
12th	301-9/2000-TRAI(Econ) dated 25.1.2001
13th	303-4/TRAI-2001 dated 1.5.2001
14th	306-2/TRAI-2001 dated 24.5.2001
15th	310-1(5)/TRAI-2000 dated 20.7.2001
16th	310-5(17)/2001-TRAI(Econ) dated 14.8.2001
17th	301/2/2002-TRAI(Econ) dated 22.1.2002
18th	303/3/2002-TRAI(Econ) dated 30.1.2002
19th	303/3/2002-TRAI(Econ) dated 28.2.2002

20th	312-7/2001-TRAI(Econ) 14.3.2002
21st	301-6/2002-TRAI(Econ) dated 13.6.2002
22nd	312-5/2002-TRAI(Eco) dated 4.7.2002
23rd	303/8/2002-TRAI(Econ) dated 6.9.2002
24th	306-2/2003-Econ dated 24.1.2003
25th	306-2/2003-Econ dated 12.3.2003
26th	306-2/2003-Econ dated 27.3.2003
27th	303/6/2003-TRAI(Econ) dated 25.4.2003
28th	301-51/2003-Econ dated 5.11.2003
29th	301-56/2003-Econ dated 3.12.2003
30th	301-4/2004(Econ) dated 16.1.2004
31st	301-2/2004-Eco dated 7.7.2004
32nd	301-37/2004-Eco dated 7.10.2004
33rd	301-31/2004-Eco dated 8.12.2004
34th	310-3(1)/2003-Eco dated 11.3.2005
35th	310-3(1)/2003-Eco dated 31.3.2005
36th	312-7/2003-Eco dated 21.4.2005
37th	312-7/2003-Eco dated 2.5.2005
38th	312-7/2003-Eco dated 2.6.2005
39th	310-3(1)/2003-Eco dated 8.9.2005
40th	310-3(1)/2003-Eco dated 16.9.2005
41st	310-3(1)/2003-Eco dated 29.11.2005
42nd	301-34/2005-Eco dated 7.3.2006
43rd	301-2/2006-Eco dated 21.3.2006
44th	301-34/2006-Eco dated 24.1.2007
45th	301-18/2007-Eco. dated 5.6.2007
46th	301-36/2007-Eco. dated 24.1.2008
47th	301-14/2008- Eco. dated 17.3.2008

Note 2. – The Explanatory Memorandum explains the objects and reasons for the Telecommunication Tariff (Forty-eighth Amendment) Order,

## **EXPLANATORY MEMORANDUM**

The Authority had considered the issue of consumer transparency arising out of multiplicity of tariff offers in the access market in the year 2004 by issuing a consultation paper titled “Limiting the number of tariff plans offered by access service providers”. That process resulted in issue of 31<sup>st</sup> Amendment to TTO in July, 2004 which contained the land mark provision of providing protection to consumers from tariff hikes for a period of six months. The Authority, thereafter had issued several other regulatory mandates in the interest of consumers, which included 43<sup>rd</sup> Amendment to TTO, that guaranteed extended protection for customers enrolled into longer validity plans including lifetime plans. Despite several such measures taken by the Authority there is a feeling among consumers that various offers being made by the access service providers are not transparent and consumer friendly. The Authority continues to receive complaints from consumers and consumer organizations which inter-alia highlight transparency issues.

2. The Authority, therefore, decided to have a re-look at the regulatory framework relating to transparency in the matter of tariff offers through the well established process of public consultation. A consultation process was initiated by the Authority in this direction with the issue of consultation paper on 29<sup>th</sup> January 2008. Open House discussions were held in Ahmedabad and Jaipur. In this consultation paper titled “Issues arising out Plethora of Tariff Offers in Access Service Provision” the following issues were posed for consultation:-

- a) Is there a need to further reduce the limit of the number of tariff plans on offer from the existing cap of 25 and if so what should be the number? Justify your answer. If not, give reasons?

- b) What should be the service segments for application of the proposed cap?
- c) Is there a need to regulate the structure and the number of add-on packs and also counting them as tariff plans for the purpose of the cap on number of plans on offer? If yes, give specific suggestion.
- d) How to treat value added service in this scenario?
- e) Should a minimum validity period of 6 months specified for tariff plans by the provisions of 31st amendment to TTO needs to be reviewed?
- f) Should the tariff plans offered for subscription for a limited period but available for the customer as a regular plan be also counted as tariff plans for the purpose of application of the cap?
- g) Is there a need to regulate or restrict the promotional offers and if so what should be the measures?
- h) What further measures should be advisable to improve the transparency in the tariff offers?

3. The issues posed for consultation in the Paper can be broadly categorized into the following four sets of issues:-

- A) The need to reduce the cap on tariff plans.
- B) Review of the protection period of six months guaranteed by the 31<sup>st</sup> Amendment to TTO.
- C) Review of number and structure of tariffs offered as add-on packs/Value Added Service/Promotional tariffs and
- D) Further measures required to promote transparency in tariff offers.

4. The Authority had received written submissions from various stakeholders. These are available in the website of TRAI. Feedback was also obtained from the open house discussions held in the month of March, 2008 in Ahmedabad and Jaipur. This amendment order to TTO

seeks to convey and formalise the decisions of the Authority on culmination of a multistage Consultation Process

**Issues and the decision of the Authority in the first stage of Consultation**

**A] Is there a need to further reduce the limit of the number of tariff plans on offer from the existing cap of 25 ?**

5. On the issue of reducing the existing limit of 25 plans on offer, three kinds of responses were received, (i) that capping of tariff plan was not necessary at all (ii) that the capping should be continued at the existing level and (iii) that cap on tariff plan should be reduced further. The reasons forwarded by stakeholders who favoured either no cap or no further reduction in the existing cap are listed below:-

- Internationally, regulators do not regulate number of tariff plans.
- If Service Providers ignore varied customer requirements, it is likely that prospective customer segments will remain untapped.
- There is no confusion amongst subscribers while selecting a tariff plan in case he or she is aware of the usage pattern.
- Limiting number of plans will only limit the choice available with the subscribers.
- Reducing the cap would only stifle competition and large section of subscribers would not be able to get a plan which is best suited to their needs.
- Another 5 to 6 new operators are likely to enter the market. The existing operators will have to launch new tariff plans to match the offers of the new entrants.

- It will result in limiting competition in the market and lack of option for the customer.
- Counter productive to the free market forces.
- Restriction bound to hurt some of the consumers who would no longer be able to avail tariff plans suited to their usage pattern.
- Consumer interest cannot be achieved through cap.
- Consumer benefits from greater choice.
- Cap will limit the ability of Service Providers to effectively compete.

6. The Stakeholders who were in favour of further reducing the cap from the existing level of 25 submitted the following points in support of their view point:-

- Consumers always get confused with large number of plans.
- Enable customer to identify ideal tariff package.
- Effectively eliminate tariff cartel of mobile SPs.
- TRAI in its own findings has stated that about 75 per cent of the customers in both pre-paid and post-paid have opted for only 5-6 tariff plans.
- Lack of transparency in the offers.
- Number of plans will further increase with new operators.

7. The majority view among the service providers as well as consumers / consumer organisations was that limiting the number of tariff plans will only limit the choice available for the customer and will not serve any purpose. The service providers submitted certain arguments against limiting the tariff offers/plans in the market on the ground that such a move could stifle the competitive activity in the market. Even certain consumer organizations in their written submissions to the Authority and during the Open House Discussions

suggested that reduction of number of tariff plans would not be the appropriate option as that would limit the choice to consumers and thus they advocated continuation of the existing limit of 25 tariff plans. The general view emerged from the consultation process was that if the tariff plans are made simple without any ambiguity and hidden charges, then the number of plans may not create problems for the consumers.

8. The Authority noted that the number of options available in the matter of price plans is a genuine outcome of competitive activity in the market and any intervention in that may be against the policy of fostering competition. **The Authority after considering the various view points expressed by the stakeholders and assessing the prevailing market conditions has decided not to change the current cap on the number of tariff plans that can be offered by access service providers, i.e. 25.** This in other words means that the existing provision of 21st Amendment to TTO will continue to be applicable in this matter.

9. At any given point of time not more than 25 tariff plans shall be on offer by an Access service provider. This includes both post paid and pre paid tariff plans. For the purpose of monitoring the cap of 25 tariff plans on offer, any package on offer for enrollment / acquisition of customers into the network and having one or more of the following features, shall be counted as tariff plan:

- i) Title
- ii) Rental/Fixed Fee
- iii) Billing Cycle/Validity
- iv) Free Call Allowance/Talk time
- v) Local Call
- vi) STD
- vii) ISD
- viii) SMS

ix) National roaming

In order to have a better monitoring mechanism for service providers and Authority as well as to facilitate enhanced transparency, it is decided to evolve a unique numbering scheme for each tariff plan. The detailed instructions in this regard are being issued separately.

10. Further it is mandatory for all service providers under the provisions of 21<sup>st</sup> Amendment of TTO, 1999 to provide the following information at the time of reporting fresh tariff plans :

“Number of tariff plans on offer to subscribers as on (the date of reporting).

- Pre-paid\_\_\_\_\_ (wherever applicable)
- Post Paid\_\_\_\_\_ (wherever applicable)”

Any new postpaid or prepaid plan for customer acquisition reported to the TRAI without the above information shall be treated as incomplete and will not be taken on record. This is being reiterated for strict compliance.

**B] Review of number and structure of tariffs offered as add-on packs/Value Added Service/Promotional tariffs**

11. A major issue discussed in the Consultation Paper was the ever increasing number and variety of add-on/top-up packs and promotional offers. While some consumer organisations insisted for regulation of Add-on Packs, certain other consumer organisations supported the point of view that any intervention against the add-on packs might limit benefits of technological development to the consumer. However the authority noted that the packs are optional for the customers and generally beneficial for them too because the subscriber can lower the cost depending on the usage profile. **The Authority has therefore**

**decided not to impose any new regulatory restrictions on the number or structure of tariffs offered as add-on packs etc.**

12. On careful consideration of the other issues posed for consultation in the paper and the responses of the stakeholders to them, the Authority arrived at a preliminary finding that the existing provisions of the TTO 1999 require amendments to further enhance transparency in the matter of tariff offers. The issues, the responses on them, its analysis, the findings of the Authority from the first stage of consultation are detailed below.

**C] Review of minimum validity period of 6 months specified for tariff plans by the provisions of 31<sup>st</sup> amendment to TTO:**

13. On the issue of reviewing the provisions of 31<sup>st</sup> Amendment to TTO which provides six months protection to consumers from tariff hikes, the responses from the stakeholders were divided as expected. The service providers and their associations were either in favour of retaining the protection period of six months or abolishing it. On the other hand, the consumers and Consumer organizations representing them submitted to the Authority that the period may be enhanced to twelve months. The points made in favour and against on the issue are as follows:

**Major points in favour of having protection period/enhanced protection period:**

- There is an urgent demand to fix a minimum validity period of 1 year to bring in more stability in the market with transparency
- Frequent changes in tariff plans are not a desirable option for the subscribers.

- The minimum validity period of the tariff plans could be enhanced to 12 months, in order to bring stability and transparency in the market.
- Frequent changes in tariff plans will pose a discomfort or a factor of annoyance to customers.

Major points against having protection period/enhanced protection period:

- Tariffs are offered to the customer on the basis of existing costs and cost projected for a shorter period of time. A time period of six months is a very long time to guarantee a subscriber against the price escalation. Price escalation is to be recognized as fact of life.
- It is very tedious for the billing system to track the subscribers on 6 months basis.
- Any such specification of validity would curb the freedom of operators in the market and be an unnecessary impediment in the action of competitive forces. This would in fact be a disincentive for operators to come forward with new offerings.

14 The Authority decided to propose increasing the 6 months period to 12 months and to seek the views of all the stakeholders again in the second stage of consultation. Detailed analysis of the issues raised in this regard and the basis on which the Authority has finally addressed these issues are given in paragraphs 23 to 27 of this explanatory memorandum.

**D] Further measures required to promote transparency in tariff offers**

15. The Authority has provided customers the right to choose from among various plans on offer and they are also free to migrate from one plan to any other plan on offer. The 4th Amendment to TTO explicitly prohibits the operators from charging any fee in the form of migration fee when the customer moves from one plan to another. However, the Authority found that certain non-tariff barriers are being introduced by the service providers to dilute the customers' right to subscribe or migrate to the plan of his choice. Some such instances that came to the notice of the Authority were:

i. Some service providers had offered and advertised general reduction in tariffs. But the benefit of the reduced tariff was limited to only those customers who could exercise their choice for the reduced tariff by way of sending SMS to predefined number etc.

ii. Initial lifetime plans offered by service providers had an upfront payment in the region of Rs.1000 and the local call rates were Rs.1.99/minute. Recently several service providers launched new Lifetime plans with substantially lower upfront payment ranging from Rs.495 to Rs.195 and with lower local call rates of Rs.1/minute. However some of the service providers did not provide for migration of existing lifetime customers to the new Lifetime schemes though they had paid a higher entry fee than the new customers, thus denying them the benefit of reduced call charges. In some cases it was also found that existing subscribers were being asked to pay a one time charge or a recurring fee by way of special recharges in order to avail lower call charges equivalent to those applicable for new subscribers.

16. Such measures are not in consonance with some of the existing mandates of the Authority. However in order to prevent such anti-consumer measures and to ensure a free and fair migration to the consumers across plans ***the Authority considered it appropriate to incorporate the explicit provisions to the TTO 1999 to the effect that :-***

- i. No additional upfront payment or recurring fee by way of recharge etc. shall be levied when a customer in an existing Lifetime scheme opts for migration to a new lifetime scheme with lower entry fee.***
- ii. In cases of straight tariff reductions where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers. Exercise of an option by the subscriber is relevant only when such options lead to any liability or adverse conditions on his part.***

17. One of the major acquisition schemes currently available in the market is in the nature of lifetime schemes. Such schemes generally require the customers to make a minimum recharge at specified intervals, normally six months. But the Authority had also received proposals from service providers where the frequency of the recharges was proposed at every 60 days. The Authority is of the view that specifying recharges at such very short intervals will dilute the “lifetime” character of the lifetime plans and make it more or less similar to the normal prepaid plans that require recharges at shorter frequent intervals. ***The Authority held the view that service providers shall not insist on recharges between periods lesser than six months in life time plans.***

18. During the process of consultation, a need was felt to review the structure of various top-up recharges, as it was brought to the notice of the Authority that service providers are deducting certain fixed amount even for recharges exclusively meant for providing talktime to subscribers who are already having validity. Such subscribers had obtained validity by already paying a fixed fee. The Authority felt that levy of a second or subsequent processing fee when the customer buys talktime through talktime top-ups is unjustified. The Authority therefore proposed to have an amendment to the TTO to the effect that no fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value. However, the service providers may charge a nominal fee not exceeding Rs.2/- per top-up towards administrative costs. This proposal will effectively mean that a subscriber having validity need not pay more than Rs.2/- as fixed fee other than applicable taxes when he purchases a talktime voucher exclusively meant for augmenting talk time. The Authority, however, decided to go in for a second stage consultation since this issue was not specifically posed in the Consultation Paper dated 29.1.2008. Examination of submissions in this regard among other issues is contained in paras 28 to 40 of this Explanatory Memorandum.

### **SECOND STAGE OF CONSULTATION**

19. The Authority undertook the second stage of consultation process by publishing a draft tariff amendment order in the website of TRAI which contained the proposals that were based on the abovementioned initial findings from the first stage of consultation. The draft tariff order was circulated to stakeholders as a Short Consultation Note on 22<sup>nd</sup> July 2008 seeking their views on proposed amendments to the existing Telecommunications Tariff Order. The consultation note that was placed

on the TRAI website is annexed to this Explanatory Memorandum as Annexure A. The summary of the proposed amendments to the TTO as contained in the Short Consultation Paper are given below:-

- i. The minimum protection period available to an access service consumer from hike in any segment of the tariff was proposed to be increased to 12 months from his/her date of enrolment into a tariff plan as against the current regime which provides for 6 months protection. However, lifetime subscribers and subscribers in longer periods of validity will continue to be protected for the lifetime and with respect to the longer periods of validity subscribed to by the consumers.
- ii) In cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers.
- iii) In cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.
- iv) No fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value. However, the service providers can charge a nominal fee not exceeding Rs.2 per top up towards administrative costs.
- v) If the terms and conditions of a lifetime plan/plan with unlimited validity include any condition of minimum amount of recharge at specified intervals, such interval shall be minimum six months. Before expiry of the specified duration for the recharge, in these plans, if any, consumers are to be reminded by the service providers in advance to avoid disconnection by default.

## **FEEDBACK FROM THE SECOND STAGE OF CONSULTATION PROCESS**

20. The consumer organisations in their responses welcomed the proposed amendments. On the other hand, the service providers and their Associations raised certain reservations against some of the proposals contained in the Short Consultation Note. However their main objections were to the proposals to increase the tariff protection period and to cap processing fee on talktime recharges. The summary of the major points made by the operators and their Associations are attached as Annexure-B to this Explanatory Memorandum. While submitting written submissions to the short consultation note, the industry associations, viz. Cellular Operators Associations of India (COAI) and the Association of Unified Telecom Service Providers of India (AUSPI) sought a meeting with the Authority to further explain their concerns on the proposals. The Authority heard them in detail in a meeting held on 14<sup>th</sup> August 2008.

21. The Service Providers and their Associations made certain general comments on the Amendments proposed to the existing TTO that were put up for the short consultation. The Authority has taken note of these general views expressed by the operators and would like to respond to them before considering the responses to each of the specific amendments and analysing them. Such general views expressed by the Service Providers and their Associations during Short Consultation Process are:

- a) Interfering with the tariff plans in an intensely competitive market would curtail the flexibility of operators to address the increasing demands of the subscribers and their specific and ever changing usage requirements.

- b) Despite inflationary trend, the telecom prices have continued to be on decline.
- c) The concept of tariff forbearance which has been followed by the Authority assumes that the market is highly competitive and hence the micro management of tariff matters is not required and the market force should be allowed to decide the tariffs.
- d) The Authority seems to have lost sight of its mandate under the TRAI Act to protect the interests of service providers also alongwith the consumers of the telecom sector.
- e) When the Authority has no control over the inflation and rising operating costs, the Authority should not do micromanagement of telecom tariffs.
- f) The amendments to the TTO finalized should be carried out prospectively for all new subscribers only, as any change in the terms of existing subscribers could negatively impact the very basis of the plans they are presently on.

22. At the very outset, the Authority would like to make it very clear that it has no intention to interfere with the market forces or to micro manage the tariffs. The Authority agrees with submissions of the operators that the mobile market is competitive. The Authority also acknowledges the fact that the innovative tariff plans offered by the service providers have immensely contributed to the phenomenal growth of mobile services in the country. It is also a fact that there are large number of instances where lack of transparency in tariff offers has adversely affected consumer interest in the past. Further, the urban areas which were the initial focus area of service provision are fast reaching saturation particularly in mobile penetration and the wireless service provision is currently moving into non-urban areas. The

Authority considers that the subscribers from this newly emerging market in the non-urban areas require further confidence building measures and protection so that the mobile services will acquire acceptance at a faster pace and the success story in the urban areas could be repeated in the non urban areas as well. This has been the objective of the Authority behind the Draft TTO circulated on 22nd July, 2008 and it is in no way to be seen as an effort to micro manage tariff matters or interfere with the market forces. It may also be noted that some of the proposals in the TTO do not mandate any new measures to be adopted by the service providers. They only provide mandatory status to some of the currently prevailing industry practices. The apprehensions expressed with regard to financial viability of existing tariff plans have also been taken into consideration by the Authority while arriving at the final decision. These aspects have been further explained below where the rationale behind the Authority's decision on the specific issues have been provided.

### **FINAL DECISION OF THE AUTHORITY ON THE PROPOSALS CONSIDERED IN THE SECOND STAGE OF CONSULTATION AND THE RATIONALE BEHIND THE DECISIONS**

#### **Proposal to increase the existing six months protection period as envisaged by the provisions of 31st Amendment to TTO to twelve months as a consumer friendly measure - Analysis of the issues raised by the Operators/Associations and the rationale behind the Authority decision**

23. In what follows, key issues raised by various stakeholders in the consultation process have been addressed by the Authority. For the sake of clarity, the points raised by the service providers/their associations are given in italics followed by the views of the Authority on that point.

**‘Indian market is characterized by intense competition’**

*“Considering the intense competitive scenario in the mobile sector, the enhancement of the minimum protection period of even six months is not required.”*

24. In this regard, it is relevant to note that broadly there are two types of marketing strategies of the access service providers viz. acquisition strategy and retention strategy. In the acquisition strategy the aim is to acquire new subscribers to their network whereas in the retention strategy the aim is to retain the existing subscribers in their network. Every player in the market brings out tariff offers which comprises of strategies to acquire new subscribers and retain existing subscribers. As a result, a very large number of tariff plans are offered in the market leading to utter confusion to potential consumers of the service and existing subscribers of the service providers. For obvious reasons, every new plan contains new features, different tariff levels some of which may be higher than the levels contained in the previous plans and some of which may be lower than the levels contained in the previous plans already subscribed by the consumers. There is a heavy flow constantly of such tariff schemes flooding the market day in and day out. Confusion apart, this does not provide stability and orderly growth in the market. Competitive offers should not result in consumers having to suffer. Feedback received from consumers/organizations representing consumers suggest that there ought to be a minimum period of protection for consumers from changes that may become disadvantageous to them. Basic considerations that influence the choice of consumers while selecting the tariff plans at the time of subscription should remain unchanged for a reasonable period of time for the consumers. To meet this objective, the Authority brought in the 31<sup>st</sup> Amendment to TTO in 2004 wherein telecom access consumers were

sought to be protected from tariff hike for a minimum period of six months from the date of subscription to a tariff plan/scheme/offer.

25. In this context, the Authority reviewed significant developments that have taken place in the market during the last few years. One of the major developments relates to tariff decline in access provision particularly in wireless service, that has spurred the growth of telecom services in the country. The Authority found merit in the submissions made by service providers that in a competitive market where tariffs are declining it becomes competitively unviable for operators to frequently change tariffs to the disadvantage of the consumer.

26. The Authority further noted that the 43<sup>rd</sup> Amendment to TTO<sup>1</sup> protects consumers who have enrolled into lifetime tariff plans from tariff hikes for the entire validity of the license period. As per this Amendment, any tariff plan presented, marketed or offered as valid for any prescribed period exceeding six months or as having lifetime or unlimited validity in lieu of an upfront payment shall continue to be available to the subscriber for the duration of the period as prescribed in the plan and in the case of lifetime or unlimited validity plans as long as the service provider is permitted to provide such telecom service under the current license or renewed license. Further, the Authority vide its advisory dated 4.6.2007 laid down certain guidelines relating to handset bundled tariff schemes. As per these guidelines, the period during which the handset is locked to the service providers network tantamount to the minimum period of validity of the tariff scheme. The Authority, therefore, interpreted that any lock in period specified by a service provider is part and parcel of the bundled offer and the subscriber availing the offer is entitled to the protection against any tariff hike during the lock in period

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<sup>1</sup> Telecommunication Tariff (43<sup>rd</sup> Amendment) Order dated 21.3.2006, Gazette of India

to the network. Thus, hike in any item of tariff during the period which a customer is locked to a network would be inconsistent with the provisions of the 43<sup>rd</sup> Amendment to TTO. Since the launch of lifetime type of tariff plans in the market in late 2005 and early 2006, the Authority has found that the lifetime tariff plans and plans with longer validity plan have become quite popular in the market. Thus, the competition with regard to 'validity' parameter of the prepaid platform in general is on the wane, with the longer validity plans dominating the market. Lifetime type of tariff plans and schemes with longer validity have been found to have imparted stability in the market. The Authority also took note of the submissions of service providers that it becomes very tedious for the billing system to track the subscribers for a long period like twelve months.

27. Therefore, the Authority after taking into account the viewpoints of service providers, consumers and organizations representing them and after making a detailed analysis of various evidences available and considering other measures contained in this order ***has come to the conclusion that the long term interests of the consumers and the sector in general would be best served by retaining the existing framework governing tariff protection to telecom access consumers. Thus the provisions of the 31<sup>st</sup> and 43<sup>rd</sup> amendment to TTO 1999 will continue to apply in the matter without any change.*** **Proposal to disallow levy of processing fee (PF) on talk-time top-ups - Analysis of the issues raised by the Operators/Associations and the rationale behind the Authority decision**

28. This proposal of the Authority was opposed by the industry segment mainly on the following two grounds:

- (a) *“The prescribed ceiling will not be sufficient to recover all costs related to recharge vouchers especially if recharge is for*

*higher value where the distributor/retailer commission is much higher.”*

- b) *“The basis on which TRAI has worked out the administrative cost for top up recharge voucher as maximum of Rs. 2/- only is not known.”*

29. The Authority considers this issue more as a transparency aspect than a tariff matter. It must be kept in mind that the decision is confined only to category of “talk-time recharges” i.e. the top-up recharges used only for the purpose of augmenting talk-time value. It does not affect any other component of prepaid service. In the Consultation Paper, the last issue that was raised was an open ended issue seeking suggestion on measures to improve transparency in tariff offers. The discussions on this point led to the conclusion that levy of processing fee as a percentage of the talk time voucher value is not a transparent way for working out the effective tariff payable by the consumer and it is unreasonable as well. The argument goes that once a consumer is enrolled into a prepaid plan where his tariffs are defined and validity is bought, thereafter, the consumer has to simply recoup the balance talk time. While doing so, he is simply purchasing the talk time only and nothing else, in which case, he is required to pay only for the value of the talk time in addition to the applicable taxes. Perhaps in the process of selling such talk time top-ups, some reasonable cost towards administering the sale of such talk time voucher may be justifiable. But this cannot be levied and collected on a pro-rata basis with respect to the value of the talk time voucher nor can the levy remain high as is evident in the market at present. From the tariff filings of the wireless access service providers, the Authority has noted the fact that even in non-life time plans, talk time top-ups attract a very high processing fee seemingly having no relation to cost.

30. ***Before arriving at the decision to limit levy of fee in talk time top-ups as notified in this tariff order***, the Authority had a close look at the structure of levy of processing fee in talk time top ups by the various operators. The analysis revealed the following:

- While some service providers levy the processing fee as percentage of the value of the pack, there are others who collect the processing fee at fixed rates.
- Service providers do have different rates of processing fee for different type of plans.
- Some operators increase the level of processing fee with the value of the pack and for some operators, it is inversely proportionate.
- The processing fee levied in paper top-ups and e-top ups are different.
- There are some operators with processing fee structure which does not exceed Rs.3/- whereas certain operators even charge processing fee of upto Rs.95. For the same operator and for the same service area, the processing fee varies drastically for minor variation in the value of the top-up.

31. The emerging picture is disheartening to say the least for the reason that there is utter lack of transparency and rationality in the manner in which the processing fee is levied by the service providers. The submission of the operators that tariffs are market driven does not seem to hold good in the matter of levy of processing fee. Apparently the flexibility provided to the operators by the Authority in determination of tariff has been misused considerably by some service providers while levying processing fee from the subscribers. The decision of the Authority in this matter has been forced by such arbitrariness and the Authority intends to ensure a fair deal for the subscribers without causing any

significant loss to those service providers who have a rational structure for processing fee.

32. The Authority is of the view that determination of processing fee by operators should bear proportional relationship and be reasonable. Amount levied by some operators as processing fee is increasing with the value of the Maximum Retail Price of the voucher. When validity has been paid for and tariffs defined in the base plans, there is hardly any justification for such high processing fee. This amounts to abusing the policy of forbearance, especially when the Authority has provided the flexibility to the operators to recover the cost of service provision in a transparent manner.

33. Another point made by some of the service providers is that application of the proposed mandate to disallow processing fee on talk time top-up would affect the viability of already contracted plans. In the case of newer versions of lifetime tariff plans that were launched in the beginning of the current year there was a provision for levy of processing fee for talk time voucher on a pro-rata basis. At that time, the levy of pro rata processing fee on talk time voucher was sought to be justified by the service providers on the ground that the predominant part of the tariff i.e. local call charges was reduced by almost half (to Re.1 per minute) and therefore in a way linked to the tariff reduction. Subsequent developments in the market reveal that local charges have come around to the same level of what was offered in the newer versions of lifetime tariff plans indicating a general decline even for non-lifetime prepaid customers. In fact the recharge conditions stipulated in these offers ensures a minimum of Rs. 200 recharge once in 6 months which has not been disallowed. Thus the industry practice also point towards the fact that provision of full talk time in top-ups is not likely to affect the viability of the tariff offers currently available in the market. Therefore,

the apprehension that the decision to prohibit levy of processing fee on talk-time top ups may affect viability of existing plans is not borne out of facts.

34. Further from the discussions with the industry representatives, it is understood that nearly 80% of recharges today are through e-recharge. The cost of administering such e-recharges is reportedly closer to zero except the commission for the dealer which is negotiated in bulk and for sale of all products of the service provider. Therefore the mandate to limit the levy of processing fee/administrative fee on talk time top up to Rs.2 per top up as ceiling, irrespective of the value of the denomination and irrespective of the pre-paid plan is unlikely to lead to issues of financial viability.

35. One of the submissions of the service providers and their associations with regard to the proposal to cap the processing fee on talk time top up vouchers states that the ceiling of Rs.2 per top up will not be sufficient to recover the administrative costs of the sale of the talk time vouchers. The category of administrative cost relating to recharge vouchers as per their claim include distribution cost, IN maintenance cost, distributor and retailer commission, printing of recharge vouchers and advertisement and publicity cost. The Authority notes that all of these categories of costs as claimed by the service providers are not relevant for administering the sale of talk time top up vouchers for which the ceiling is prescribed at Rs.2 per top up. These categories of costs like advertisement and publicity, IN maintenance cost are certainly not considered as relevant for the purpose. Similarly, distribution cost cannot be different from cost incurred on account of distributor and retailer commission. Printing of recharge vouchers is a relevant item of cost but over a period of time, this mode of recharge, as per industry sources is becoming insignificant. Market intelligence in this regard

reveals that majority of the revenue accruals from the prepaid recharges is achieved through electronic recharges where physical printing of vouchers and its distribution does not exist. Cost recovery in general for administering the sale of top up vouchers has to be seen in totality. Infrastructure deployed for the purpose of maintenance of database and other associated billing systems is indivisible as there are several streams of revenue for the service providers from the sale of different type of products for the same customer, e.g. sale of validity coupons, sale of discounted tariff vouchers, recharge vouchers/coupons combining validity, tariff, etc. and sale of add-on packs, SMS packs, and tariffs for these products are under forbearance. Therefore, the cost recovery on account of total infrastructure facility deployed needs to be seen with respect to the overall cost incurred in provision of service and overall revenue arising out of the sale of all products. In this regard, operating cost of cellular service providers could be the most appropriate parameter for examination. Trends in the operating costs of cellular service provision, a major segment of the industry has been examined based on published data.

**Trends in Operating Costs of Cellular Service Provision in India**

Year	Operating cost/subscriber/month (Rs.)
2003	288
2004	193
2005	159
2006	146
2007	128

Source: Cellular Operators Association of India<sup>2</sup>

36. As is evident from the Table above, the reduction in the operating cost per subscriber per month during the last five years alone works out

<sup>2</sup> Indian GSM Cellular Benchmarking Study 2007, COAI, May 2008, New Delhi

to 55%. In the last one year alone, operating cost registered a decline of 13%.

37. The Authority also verified the results of this analysis by relating the operating cost with another major parameter i.e. net service revenue.

**Trends in the operating costs as percentage of net service revenue**

<b>Category of operating cost</b>	<b>2003</b>	<b>2007</b>	<b>Percentage decline</b>
Administrative cost	9%	7%	22%
Personnel cost	9%	5%	44%
Sales and marketing cost	19%	13%	46%
Network operating cost	21%	19%	9.5%

Source: Cellular Operators Association of India<sup>3</sup>

38. The order of decline in operating cost as proportion to net service revenue is self-evident from the table given above and confirms the results obtained earlier when operating cost trend was studied in an absolute manner. These evidences go to prove that the operating costs are not only declining absolutely but also relatively. Detailed analysis of the reasons for reduction in the cost of providing services in telecommunication sector in general and in mobile telephony in particular over a period of time is comprehensively documented in the Explanatory Memorandum to TTO dated 24.1.2007<sup>4</sup>.

39. Whether we look at the operating cost on a per subscriber basis or whether we look at the operating cost as a percentage of net service

<sup>3</sup> Indian GSM Cellular Benchmarking Study 2007, COAI, May 2008, New Delhi

<sup>4</sup> The Telecommunication Tariff (44<sup>th</sup> Amendment) Order, 2007 dated 24.1.2007, Para No.11.13 - 11.16, Gazette of India.

revenue, the trend suggests that there has been a substantial decline in the operating cost in general and in all the identifiable components of the operating costs. Of particular importance is the sales and marketing cost which has registered a decline of about 46% from the period 2003 to 2007. No submissions made before the Authority by the service providers and their association prove the point with evidence that Rs.2 per top up is insufficient to cover the relevant costs. In fact, this issue was discussed with the service providers in separate meetings held with the Authority and no calculation was shown to prove their point that Rs.2 per top up is insufficient to cover the cost of sale of talk time vouchers.

40. While the Authority fully agrees with the views of the operators that flexibility in tariff setting is essential for the growth of the sector as a whole, it firmly believes that transparency cannot be compromised in the tariff offers. Processing fee of the order seen in talk time voucher is certainly a hidden cost. In that respect the Authority's decision to cap the processing fee to a flat administrative cost of Rs 2 (as ceiling) would have the added advantage of facilitating comparison of tariff plans by the consumer to make an informed choice.

#### **DECISION ON LIFETIME PLANS AND TARIFF REDUCTION ETC.**

41. The other three proposed provisions to the existing tariff order are basically intended to enhance transparency in the matter of tariff offers. These proposals have met with considerable acceptance within the service providers as the responses of the service providers/their associations reveal.

## **Decisions relating to lifetime Plans**

42. Initial lifetime plans offered by service providers had an upfront payment in the region of Rs.1000 and the local call rates were Rs.1.99/minute. Recently several service providers launched new Lifetime plans with substantially lower upfront payment ranging from Rs.495 to Rs.195 and with lower local call rates of Rs.1/minute. However some of the service providers did not provide for migration of existing lifetime customers to the new Lifetime schemes though they had paid a higher entry fee than the new customers, thus denying them the benefit of reduced call charges. In some cases it was also found that existing subscribers were being asked to pay a one time charge or a recurring fee by way of special recharges in order to avail lower call charges equivalent to those applicable for non-subscribers. Such unfair measures are not in consonance with some of the existing mandates of the Authority which provide for migration of subscribers from one plan to another plan on offer without having to pay any fee in the nature of migration charge. In order to prevent such anti-consumer measures and to ensure a free and fair migration to the consumers across plans the ***Authority considered it appropriate to further clarify the provisions of the TTO 1999 that in cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.***

43. Lifetime schemes in the market generally require the customers to make a minimum recharge at specified intervals, normally six months. But the Authority had also received proposals from service providers where the frequency of the recharges were proposed at every 60 days.

The Authority is of the view that specifying recharges at such very short intervals will dilute the “lifetime” character of the lifetime plans and make it more or less similar to the normal prepaid plans that require recharges at shorter frequent intervals. ***The Authority through this tariff order has decided that service providers shall not insist on recharges between periods lesser than six months in life time plans.***

44. The Authority also noted that in case the customer fails to meet the condition of a minimum recharge after a specified period of time, the connection is liable for deactivation. The customers may forget or fail to keep track of the days of recharging in the intervening period and this may lead to unintentional disconnection by default. In order to minimize the incidences of such disconnection by default, ***the Authority considered it advisable that the service providers should make efforts to remind the customers by way of SMS or customer care call prior to the due date of making such recharge.*** However, this consumer friendly measure does not preclude the subscribers from not honouring their contractual obligation of making recharges at the specified intervals for remaining connected.

**Decision relating to Unconditional availability of the benefit of straight tariff reductions to the subscribers**

45. Some service providers had offered and advertised general reduction in tariffs. But the benefit of the reduced tariff was limited to only those customers who could exercise their choice for the reduced tariff by way of sending SMS to predefined number etc. The Authority has disallowed such implementation of the declared and publicized lower tariffs after having found that the preconditions attached to offer

are unfair and unreasonable. To prevent occurrences of such unfair means in future the Authority vide this tariff amendment order has mandated that “in cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers”.

46. All the decisions contained in this order shall be applicable to all customers, new and existing, irrespective of the plans or billing platform and shall be effective from 15<sup>th</sup> September 2008.

47. During the consultation process the Authority received several suggestions from the stakeholders for further improving the transparency in the matter of tariff offers. The Authority has considered those suggestions and a Direction is issued separately mandating several consumer friendly regulatory measures to enhance and ensure transparency in the matter of tariff offers.

48. Summary of the features of amendments to the Telecommunication Tariff Order made here are given below:-

- 1) No fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value irrespective of the type of tariff plan and irrespective of the mode of recharge. However, the service providers can charge a nominal fee not exceeding Rs.2 per top up towards administrative costs.
- 2) In cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers.

- 3) In cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.
- 4) If the terms and conditions of a lifetime plan/plan with unlimited validity include any condition of minimum amount of recharge at specified intervals, such interval shall be minimum six months. The Authority has also advised the service providers that before expiry of such specified duration for the recharge, consumers are to be reminded by way of SMS or customer care call in advance to avoid disconnection by default.

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## **Annexure A to the Explanatory Memorandum**

Telecom Regulatory Authority of India

Sub: Short Consultation on certain Amendments to Telecommunications Tariff Order, 1999 as a sequel to the consultation process initiated in January, 2008.

Date: 23<sup>rd</sup> July, 2008

### Background

A Consultation process was launched by the Authority with a view to review the regulatory framework relating to transparency in the matter of tariff offers in access service provision, as there is a feeling among consumers that tariff offers being made by the service providers are not transparent and consumer friendly. As part of this process, the Authority issued a Consultation Paper entitled, 'Issues Arising out of Plethora of Tariff Offers in Access Service Provision' in early part of this year. This was followed by Open House Discussions in Ahmedabad and Jaipur.

Based on the feedback received from the stakeholders, the Authority is of the view that the existing provisions of Telecommunications Tariff Order, 1999 need certain amendments to further enhance the transparency in the tariff offers in access service provision. Modifications proposed to be made as Amendments to Telecommunications Tariff Order are summarized below:-

- 1) The minimum protection period available to an access service consumer from hike in any segment of the tariff is proposed to be increased to 12 months from his/her date of enrolment into a tariff plan as against the current regime which provides for 6 months protection. However, lifetime subscribers and subscribers in longer periods of validity will continue to be protected for the lifetime and with respect to the longer periods of validity subscribed to by the consumers.
- 2) In cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers.

3) In cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.

4) No fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value. However, the service providers can charge a nominal fee not exceeding Rs.2 per top up towards administrative costs.

5) If the terms and conditions of a lifetime plan/plan with unlimited validity include any condition of minimum amount of recharge at specified intervals, such interval shall be minimum six months. Before expiry of the specified duration for the recharge, in these plans, if any, consumers are to be reminded by the service providers in advance to avoid disconnection by default.

The draft Telecommunications Tariff Order Amendment incorporates the provisions to cover the above mentioned aspects in tariff offers.

Stakeholders are requested to offer their views, if any on these proposals of the Authority to amend the Telecommunications Tariff Order.

Written submission in electronic form would be appreciated and the same may be submitted on or before 31<sup>st</sup> July, 2008.

Full text of the draft Telecommunication Tariff (48<sup>th</sup> Amendment) Order, 2008 is annexed herewith.

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## **Annexure B to Explanatory Memorandum**

### **Submissions received from the Operators and their Associations on the proposals contained in the draft TTO put up for short consultation by the TRAI**

#### **Proposal 1**

**The minimum protection period available to an access service consumer from hike in any segment of the tariff is proposed to be increased to 12 months from his/her date of enrolment into a tariff plan as against the current regime which provides for 6 months protection. However, lifetime subscribers and subscribers in longer periods of validity will continue to be protected for the lifetime and with respect to the longer periods of validity subscribed to by the consumers.**

#### **COAI**

- Indian market is the fastest growing mobile market in the world with about 8-9 million additions per month and is characterized by intense competition.. These tariff plans are a reflection of the competition and interfering with them would curtail the flexibility to address the increasing demands of the subscribers and their specific and ever changing usage requirements.
- The mobile market has significantly matured and given the present level of high competition, we believe that micro management is not required. Hence we respectfully submit that the suggested amendments by the Authority are not desirable and will fail to address the broader perspective of growth sustenance.
- The price protection is necessary only in a monopolistic environment .In Indian mobile sector there already exists intense competition. There are already 7 to 8 players in every circle and this is going to increase to 10 to 12 players in the near future. We will thus have an intensely competitive scenario were 10 to 12 players in each circle will chase the customers with best price offers. Considering the intense competitive scenario in the mobile sector, the enhancement of the minimum protection period of even 6 months is not required.
- Entry cost for the customers has virtually become zero and hence subscriber can easily move to any other service provider.
- The Authority and the Government are actively working towards introduction of Mobile Number Portability as a result of which the concern of subscriber loosing the number will be taken care of.

- The subscribers are allowed seamless Migration across tariff plans without any cost.
- The concept of tariff forbearance which has been followed by the Authority assumes that the market is highly competitive and hence the micro management on pricing is not required and the market force should be allowed to decide the tariffs.
- In today's vibrant mobile market where prices are showing a negative trend it becomes competitively unviable for the operators to revise the tariffs frequently to the customer's disadvantage.
- Increase in minimum protection period from 6 months to 12 months would increase administrative cost for the operators.
- Even while the Indian economy grapples with the high level of inflation, mobile telecom is the only segment where tariffs have been continuously falling. The sector is facing the immense pressure of continuously absorbing the rising costs – inflation. While all the other services/ infrastructure sectors such as power, gas, water have witnessed a rise in tariffs, mobile telecom is the only services segment where tariffs have been and are still on the decline.
- The earlier time period of six months for raising any tariff component in a tariff plan from the date of enrolment of a subscriber, itself is a stringent requirement, enhancing it to 12 months will not be justifiable.
- The minimum validity period of 6 months specified for tariff plans by the provisions of 31st Amendment may be retained or done away with.

### **AUSPI/Tata**

- The provisions of 31st amendment are impractical as per today's market conditions. Today, new technologies are being introduced everyday and competitors are introducing new tariffs accordingly. The Regulatory regime has seen tremendous revolution. Therefore, in such a dynamic and ever changing tariff environments it is very impractical to comply to this amendment.
- It becomes very tedious for the billing system to track the subscribers on 6 months basis. For example, for a subscriber subscribing to the tariff on 1st Jan means that he will get the benefits of the said tariff till 1st July however for another subscribers subscribing to the same tariff on 30th June needs to get the same benefits till 30th Dec. Therefore, even if the Regulatory regime has changed and it is a loss making tariff, the Service provider needs to offer it to that segment of customers.

- As amply evident from the past, TRAI has modified/amended the IUC regime on the basis of the changes in Indian Telecom industry and international practices. Any such modifications directly affect the tariffs being offered by the operators. This may impact as an increase in subscriber tariffs. Therefore, this increase in tariffs should not tantamount to any violation of TTO amendment since it is not the operator who is responsible for this increase but the changes in regulatory regime have forced this increase in tariffs.
- The Authority may be aware of the high inflationary conditions which is prevailing and likely to prevail in the country. Telecom tariffs are the only exception where rates have been falling. Inputs costs are increasing and as you may be aware, tariffs are offered to the customers on the basis of the existing costs and cost budget for a short period of time.
- The present time period of 6 months itself is a very long time to guarantee a subscriber against price escalation. It will be proper in view of the prevalent price escalation to have no guarantee to the subscriber against price escalation.
- It would be highly unfair to freeze price escalation under the prevailing inflationary conditions in the country.
- The reasons for this proposal of increasing the guarantee period at this not known to us.
- Further, categorizing subscribers on the basis of time of enrolment is discriminatory as it would provide separate tariffs for similarly placed subscribers. The TTO ( 31st Amendment) provisions imply that subscribers who are on tariff plan for a longer duration would cross-subsidize subscribers who have been recently acquired in last six months on that same tariff plan. The proposed amendment would extend the protection to one year from the present one year and that would require cross subsidization for a longer period of time.
- Price escalation for utilities like gas, water, and electricity when carried out is applicable for all consumers and not restricted to a small group of consumers, recently provided these services. Offering services at lower rate to one set of consumers is discriminatory in terms of Article 14 of the constitution and provisions laid down in the Section 2 k of the TTO'99.

- TTO (43rd Amendment) which specifies life time protection against any increase in price even when input costs go up is highly unfair towards service providers. There is no other sector where regulation specifies that the long term contract should be immune from any price escalation.
- To increase the period to 12 months to provide as a minimum protection period to the consumer is unexplainable in a regulated segment of tariff and unfair for service providers.
- The minimum protection period as per the provisions of 31st amendment be done away.
- The proposal in this short consultation to increase the minimum protection period need not to be implemented. Even similar provision laid down in TTO (43rd Amendment) may be reviewed

## Bharti

Considering the intense competitive scenario in the mobile sector, the enhancement of the minimum protection period of even 6 months is not required, due to the following grounds:-

- The overall economic scenario needs to be considered. If a protection period is to be given to a subscriber, Entry cost for the customers has virtually become zero and hence subscriber can easily move to any other service provider.
- The subscribers are allowed seamless Migration across tariff plans without any cost.
- The concept of tariff forbearance which has been followed by the Authority assumes that the market is highly competitive.
- Even while the Indian economy grapples with the high level of inflation, mobile telecom is the only segment where tariffs have been continuously falling. The sector is facing the immense pressure of continuously absorbing the rising costs – inflation. While all the other services/ infrastructure sectors such as power, gas, water have witnessed a rise in tariffs, mobile telecom is the only services segment where tariffs have been and are still on the decline.

- Moreover, it substantial increase the associated cost. As the different subscriber join the network at different point of time, any increase in minimum protection period increase the network cost as looking at the growth being witnessed by operators, the operator has to incur huge cost to keep such record.
- The earlier time period of six months for raising any tariff component in a tariff plan from the date of enrolment of a subscriber, itself is a stringent requirement, enhancing it to 12 months will not be justifiable.

## **Vodafone**

- Especially in a period like present where inflation has increased, then the subscribers will have to bear a cost of such protection.
- No other industry gives such protection. Also in a free market having fierce competition such protection will be a deterrent for subscriber friendly tariffs.
- The Authority must take a stand of principle as to whether it wants to micromanage tariffs in an environment of hyper competition, or leave operators to the mercy of consumer punishment.
- We see a contradiction in policy stance if both conditions of hyper competition in market structure, as well as micromanagement of tariff conditionalities, were to coexist. A taboo against misleading communication is a sine qua non of competitive markets, but it should not be confused with imposed conditionalities, particularly in the newly envisaged environment of mobile number portability.
- The minimum protection period should be removed since it is neither in interest of the subscribers nor the industry. In case of lifetime plans also, the tariffs cannot remain at the same level through out the license period, since in the long run the inflationary principles may come into the play like in cases of all other industries.
- Salient regulatory changes are made in the tariff structures from time to time. However, these cannot be envisaged by the operators while the tariffs of various components are fixed in a tariff plan. In such scenario of regulatory changes the operators in normal course may rightly like to do some adjustments in other components. But, due to the limitation of tariff protection period, the operator is bound to not to change tariffs which results in the operator being forced to give tariffs which were at first place never offered by him. If any component in the complete tariff bouquet is

disturbed by the regulatory change then the minimum protection period condition should not apply.

## **Reliance**

- When TTO'99 was notified, the Authority felt that the provisions like insulating a subscriber against tariff hike for six months would curb the practice of offering new regular tariffs/tariff plans and withdrawing or revising it suddenly. However, today's telecom market is different which is much more competitive and has nearly all distinguishable characteristics of a competitive market. These include, many operators, homogeneous Products, Low-Entry Barriers and high information.
- Since the market is almost perfectly competitive, it is not easily possible for an operator to frequently revise tariffs to the disadvantage of the consumer.
- The telecom prices are consistently registering a negative trend. Therefore, provisions laid down in TTO( 31st Amendment) and TTO (43rd Amendment) are not needed to protect the interest of subscribers.
- Though the price escalation is not happening but even if it is carried out over a period of time, it should be seen as a normal phenomenon.
- Telecom is only exception in the present inflationary times which is not registering any price increase. Notwithstanding the present trend, the telecom services should not be singled out requiring specific provision to insulate subscribers against any price hike under provisions of TTO (31st Amendment) and TTO (43rd Amendment).
- Limiting service providers to hike price even when input costs or regulatory costs increased may not be correct.
- Tariffs are offered to the customers on the basis of existing costs and costs projected over a shorter period of time. A time period of six months to one year is a very long time to insulate a subscriber against the price escalation.
- Such statutory protection are unprecedented nationally and internationally and not available in any other sector.
- Whenever prices of utilities like gas, water, and electricity are increased, it is effective for all consumers irrespectively when the subscriber has started using that facility. Similarly in case of increase in tariff for railways, the rates are effective from one fixed date. The statutory protection against price hike for telecom users is an only exception to this practice. We have noted that price revisions in other sectors are as common or more common than the telecom sector.

- The provision to categorise subscribers on the basis of time of enrolment is discrimination amongst similarly placed subscribers. As per provisions laid down in above mentioned TTOs, in case of a tariff hike, one set of subscribers will pay a higher cost compared to another set of similarly placed subscribers. In effect the provision means that subscribers who are on tariff plan for a longer duration would cross-subsidise subscribers who have been recently acquired in last six months on that same tariff plan.
- In competitive markets, micro-regulations should be avoided as far as possible. When inflation is at a highest level in last decade, the proposed amendment to increase the protection period from 6 months to one year would be highly unfair towards service providers..

## **BSNL**

- The existing protection period of 6 months available to an access service consumer from hike in any segment of the tariff is sufficient to protect the interest of consumer.
- Since the initial cost has reduced substantially, there is always a threat of churn of subscriber from one operator to other due to increase in tariff. In the present competitive scenario, with decreasing trend in tariff, no access provider may like to increase any tariff components without giving benefit in other tariff items i.e. tariff balancing. As such market forces will take care of the tariff after initial period of 6 months.

## **BPL Mobile**

- TRAI has not given any detailed justification in the consultation paper for making these changes in TTO 99.
- Even though the tariffs are “foreborne” for access services, and the market is highly competitive, the TRAI is resorting to micro management of tariff plans.
- If the operators can reduce the tariff even within one month of the introduction of a tariff plan, why should there be a restriction that it can not be increased for a period of one year.
- With the inflation rate of more than 10%, the operating costs of service providers are rapidly increasing overtime. It may, therefore, not be possible to insulate the telecom subscribers from tariff increase for a period of one year.
- From the various regulations being issued by the Authority with the sole objective of safe guarding the consumer’s

interest, the Authority seems to have lost sight of its mandate under the TRAI Act to protect the interests of service providers also alongwith the consumers of the telecom sector.

- When the Authority has no control over the inflation and rising operating costs, the Authority should not do micromanagement of telecom tariffs.

### **MTNL**

- Practically this is not possible to increase tariff in any segment because the subscribers in a regular tariff plans are being enrolled on a continuous basis by way of either new acquisition of the subscriber or migration of existing customers into the tariff plan.

### **Proposal 2**

**In cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers.**

### **COAI**

- We support the view of the Authority that there should not be any pre-condition of explicit positive action or consent on part of the subscribers.

### **Bharti**

- We agree with the Authority's view in this regard.

### **Vodafone**

- In our view this provision will not allow the operators to provide maximum possible reduction in tariffs to subscribers who are price sensitive and /or who are high end users. With the proposed mandate to provide any tariff reduction to all users, the operators may be forced to offer price higher than the one that would have been otherwise offered if this condition is not made applicable. This should meet the criteria of transparency and non-discrimination.

### **Tata Teleservices**

- We agree with the Authority that there should not be any pre-condition of explicit positive action by the subscribers in the case of straight tariff reductions

### **BSNL**

- Where there is no increase in any component of the existing tariff plan the existing customers will automatically enjoy the tariff reduction.

### **BPL**

- We do not think any operator is insisting upon the pre condition of explicit positive action on the part of subscribers in cases of straight tariff reduction across the board. We have no objection to this provision.

### **Idea**

- The imposition of such a limitation will severely limit the operator's ability to offer the best tariffs to medium and heavy users of various services and also upset the commercial construct of many tariff interventions that may be premised on a gradual and non-comprehensive subscriber built-up for the new tariff. Moreover the ability to implement myriad schemes across the base is determined by the billing systems in use. We are in favour of transparent and most attractive pricing for relevant segments where consumers are free to opt-in without any cost either through SMS / other toll-free methods.

### **Proposal 3**

**In cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.**

## **COAI**

- As per TRAI regulations there is no migration fee or one time fee levied on the subscriber migrating from one tariff plan to other. However, while migrating from a tariff plan to other, the entire terms & conditions of the package/plan/product has to be viewed in totality and a component of a tariff plan should not be viewed in isolation.
- We would like to submit that most of the new tariff plans launched by the service providers are with additional / new benefits / options / lower rates, which are generally not there in earlier plans and hence it is not the entry fees which is the only deciding factor for the subscriber to opt for other lifetime validity plan or unlimited validity plan.
- In light of the above it would not be justified to mandate service providers for not charging any upfront payment for allowing such migration from existing lifetime validity plan or unlimited validity plan to new lifetime validity or unlimited validity plan which might have more attractive features.

## **Bharti Airtel**

- We agree with the Authority's view in this regard.

## **Vodafone**

- We agree that the operators cannot charge a migration fee. The migration fee will mean a fee in addition to the upfront charges required to be paid under the new lifetime validity plan even by a new subscriber.
- In case of existing lifetime subscriber who wishes to migrate to a new lifetime plan, the operators can charge same charges, including upfront charges, as are payable by a new subscriber.
- Alternatively, the subscriber who wants to migrate can be offered a charge of an amount lesser than the upfront charge (in form of one time fee or recurring fee) in lieu of the upfront charge.

## **BPL**

- A tariff plan has to be viewed in totality and a component of a tariff plan should not be viewed in isolation. New tariff plans are designed by the operators based on usage pattern and interest of different segments of subscribers. When tariffs for certain components of a tariff plan are reduced, it may be necessary to raise charges for some of the other components with a view balancing the overall ARPU realised from the subscribers opting for the new plan. Since the choice is available to the customers to migrate to a new plan or not, the Authority should not prescribe such conditions and deprive the operators the flexibility to design a new tariff plan.

## **BSNL**

- Levy of upfront charges on migration of an existing lifetime validity plan or unlimited validity plan opts for migration to new lifetime validity or unlimited validity plan may be left optional to the service providers to be decided by market forces. However, the recurring charges are linked to the call rates/SMS rates of the new plan which are payable as per usage.

## **Tata**

- It would not be justified to mandate service providers for not charging any upfront payment for allowing such migration from existing lifetime validity plan or unlimited validity plan to new lifetime validity or unlimited validity plan which might have more attractive features.
- A tariff plan has to be viewed in totality and a component of a tariff plan cannot be viewed in isolation. We would like to submit that most of the new tariff plans launched by the service providers are with additional / new benefits / options / lower rates, which are generally not there in earlier plans and hence it is not the entry fees which is the only deciding factor for the subscriber to opt for other lifetime validity plan or unlimited validity plan.

## **MTNL**

- In case of migration of a subscriber of an existing Life Time Validity Plan or unlimited Validity plan to a new lifetime validity or unlimited Validity Plan with lower entry fee, it is not technically

feasible to allow the migration of Jeevan Saathi post-paid plan to prepaid or vice-versa directly. Normally, on migration of a subscriber from post-paid plan to prepaid or vice-versa, it is migrated to default plan which is usually not a life time validity plan or unlimited validity plan. The subscriber is then allowed to migrate from the default plan to the new lifetime validity plan or unlimited validity plan after paying the requisite one time rent/entry fee.

#### **Proposal 4**

**No fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value. However, the service providers can charge a nominal fee not exceeding Rs.2 per top up towards administrative costs.**

#### **COAI**

- The service providers generally balance the administrative / processing fees while preparing tariff across talktime & validity recharges.
- The major administrative costs related to recharge vouchers are as follows:
  - Distribution Cost
  - IN maintenance cost
  - Distributor and retailer commission
  - Printing of recharge vouchers
  - Advertisement/Publicity cost for recharge vouchers
- Hence the prescribed ceiling will not be sufficient to recover all costs related to recharge vouchers especially if recharge is for higher value where the distributor/retailer commission is much higher

#### **AUSPI**

- Nominal fee of Rs 2 will not be sufficient to recover costs. There are number of costs attached to the top-up recharge vouchers like commission for distributors and retailers, the distribution cost, the printing cost for the vouchers, publicity and advertising cost and other network and IN platform costs for recharging and cost of maintenance of data base for recharge voucher which are

exclusively meant for talk time. The prescribed ceiling is too low to recover all these costs. Administrative cost charges should also remain under forbearance

### **Bharti**

- Processing fee on Talktime Recharge Vouchers should be rationalized and capped upto an amount of 10% of the MRP to cover administrative costs, channel commissions, printing and distribution costs, etc. The Authority's concern is to protect the marginal and low-end users who do small denomination recharges and pay a high amount as processing fee. Therefore to go with a lowest common denominator of Rs 2/- for all recharge vouchers from Rs 10/- to Rs 1000/- or higher would not hold good.
- It is recommended that this be capped on a percentage of the MRP at 10% and not on the basis of a rupee value i.e. capped at Rs 2/- for all denominations

### **Vodafone**

- Nominal fixed fee of up to Rs. 2 (excluding) applicable taxes may not be sufficient to cover the administrative costs including some distribution costs in all denominations. In a talk time value voucher, the talk time rate, denomination and the fixed fee are the three main drivers besides the government taxes. Limiting a component in this manner will impact the total construct.
- If such a change is proposed then the operators must be exempted from any requirement of minimum protection period.

### **BPL Mobile**

- We do not know the basis on which TRAI has worked out the administrative cost for top up recharge voucher as maximum of Rs. 2/- only. The administrative cost involved in printing and distribution of recharge voucher and the commission etc. payable to the point of sale/distributor is definitely more than Rs. 2/-. Hence the suggested ceiling would not be adequate to recover all the costs involved in recharge vouchers.
- From the various regulations being issued by the Authority with the sole objective of safe guarding the consumer's interest, the Authority seems to have lost sight of its mandate under the TRAI Act to protect the interests of

service providers also alongwith the consumers of the telecom sector. When the Authority has no control over the inflation and rising operating costs, the Authority should not do micromanagement of telecom tariffs.

### **MTNL**

- The proposed fee of Rs.2 per top up is very less because the recharge coupons are by and large being sold through franchisees/distributors & retailers to whom service charges are being paid for the service rendered. In this case, Rs.2 per top up is very less. Therefore, it is proposed that the fees towards administration cost may be increased to 10% of the value of the recharge coupon (with minimum amount of Rs.10 per top-up).

### **Tata**

- The proposed amendment of a nominal fee of Rs 2/top up as administrative cost will not be sufficient to recover the costs. There are number of costs attached to the top-up recharge vouchers like commission for distributors and retailers, the distribution cost, the printing cost for the vouchers, publicity and advertising cost and other network and IN platform costs for recharging. The prescribed ceiling is too low to recover all these costs.
- There should not be any ceiling charges on the administrative fee for top-up vouchers exclusively for talk time. The tariffs are under forbearance and should continue to be like that. And the administrative cost charges should also remain under forbearance.

### **Idea**

- Amendment of prescribing a ceiling as low as Rs 2 would result in the service provider not being able to recover the genuine operating expenditure associated with the consumer / top-up recharge.
- The primary administrative costs related to recharge vouchers are:
  - Distribution Cost
  - IN maintenance cost
  - Distributor and retailer commission
  - Printing of recharge vouchers
  - Advertisement/Publicity cost for recharge vouchers
  - New Recharge Development costs

The proposed ceiling of Rs 2 per top-up in our opinion is insufficient to cover the fixed component of the costs associated with the recharge vouchers.

- Moreover, the Distributor and retailer commissions are offered as a percentage of the recharge denomination and hence vary from denomination to denomination in absolute money / cost terms.
- The cost component as a percentage of the denomination works out higher at the lower denomination levels and lower at the higher denomination levels.
- Processing fees matrix of 5 to 35% of the Denominations may be considered as a ceiling for all talk-time top-ups:

### **Proposal 5**

**If the terms and conditions of a lifetime plan/plan with unlimited validity include any condition of minimum amount of recharge at specified intervals, such interval shall be minimum six months. Before expiry of the specified duration for the recharge, in these plans, if any, consumers are to be reminded by the service providers in advance to avoid disconnection by default**

### **COAI**

- There is no need to mandate the same by TRAI as the recharge conditions specified in the life time plans is an integral part of the tariff offer.
- The advance intimation to the subscriber about the expiry of the specified duration of recharge should not be a compulsion and should be viewed as a customer friendly gesture on part of the service provider to the subscriber.
- Moreover, as far as the minimum interval of 6 months is concerned all tariff plans should be treated on an equal footing and no distinction is required in this regard.
- There are number of subscribers who prefer a smaller recharge at shorter intervals. Therefore it should be left for the market to decide the conditions of recharge on life time plans and hence not mandate the same.
- If at all the amendments to the regulation comes into effect it should be carried out prospectively.

## **Bharti Airel**

- Lifetime plans and likewise any other long validity plans have unique conditions which vary from service provider to service provider. All service providers through the existing regulations adequately communicate the terms and conditions to the customers before enrolment. Thus, there should not be any mandate from the Authority on the manner in which the same are communicated to its customers.

## **Vodafone**

- There should not be any restriction on prescribed period of minimum amount of recharge at specified intervals as this will take out the flexibility from the operators to offer a plan with the reduced minimum amount of recharge and corresponding reduced applicable recharge period thereof. Also at any given point of time these conditions are fixed in consideration of the socio-economic conditions and the perceived preferences/ recharge trends applicable.
- In any case, if such modification is done in the TTO, then it should only apply to new lifetime subscribers acquired after such modification.

## **BPL**

- As the tariff is “foreborne”, TRAI should not prescribe such a condition that under life time plan there shall be minimum interval of six months between the two compulsory recharges.
- The operator should have the flexibility to decide the various components of a tariff plan so long as the overall per minute charge is not excessive. In the highly competitive market existing in India, the customers have enormous choice of operators as well as the tariff plans.
- The operator should have full flexibility and such conditions should not be prescribed by the Authority which will tantamount to micro management of tariffs.
- From the various regulations being issued by the Authority with the sole objective of safe guarding the consumer’s interest, the Authority seems to have lost sight of its mandate under the TRAI Act to protect the interests of service providers also alongwith the consumers of the telecom sector.

- When the Authority has no control over the inflation and rising operating costs, the Authority should not do micromanagement of telecom tariffs.

### **BSNL**

- Yes.

### **Tata**

- The proposal is not in the consumer interest as large number of subscribers prefer low value recharges also at regular intervals to a higher value recharge at longer interval.
- There are various life time plans available in the market with varying recharge conditions ranging from every two months to six months. A subscriber makes a choice depending on consideration of affordability of shorter duration recharge or convenience of longer duration recharge. There are number of subscribers who prefer a smaller recharge at shorter intervals. Therefore it should be left for the market to decide the conditions of recharge on life time plans and hence not mandate the same

### **Idea**

- Recommend keeping open the option to impose a minimum recharge interval depending upon the prevalent market and servicing conditions for the following reasons:
  - The minimum recharge condition is built in to improve number management as operators are issued limited inventory of MSISDN's and it becomes extremely critical to recycle non-users numbers to make space for new subscribers to come in.
  - Also with rural distribution on the rise, the market stock to sales ratio has increased due to the servicing challenges involved in distributing SIM cards in the remote rural areas.
  - Further, It is also pertinent to note than cost of Lifetime validity has already been reduced to Rs. 295 across most of circles, which is barely sufficient to cover distribution and one time cost.
  - The amendments to the TTO finalized should be carried out prospectively for all new subscribers only, as any change in the terms of existing subscribers could negatively impact the very basis of the plans they are presently on.

## **Comments received from the consumer organisations on the proposals contained in the draft TTO**

**Proposal 1: The minimum protection period available to an access service consumer from hike in any segment of the tariff is proposed to be increased to 12 months from his/her date of enrolment into a tariff plan as against the current regime which provides for 6 months protection. However, lifetime subscribers and subscribers in longer periods of validity will continue to be protected for the lifetime and with respect to the longer periods of validity subscribed to by the consumers.**

### **CELLULAR PHONE USERS ASSOCIATION OF INDIA**

- The minimum period of tariff protection should be increased to 12 months
- Further that if the operator(s) propose to alter any condition of the tariff package they can do so only after 12 months and under intimation to the subscriber.

### **CELLUAR USERS ASSOICATION OF INDIA (CUAI)**

- The minimum period of tariff protection may be increased to 12 months
- However, the subscriber should have the flexibility to move to a new tariff option as per his/her choice / discretion during this period.
- Prepaid subscribers must be issued / sent a letter towards the following within few days of activation of services. A letter of introduction detailing the tariff plan chosen and the obligations / procedure for customer care etc. This one time communication will also ensure the verification of address of the subscriber (if sent thru' speed/registered post – AD)

### **KERALA CONSUMER SERVICE SOCIETY**

- Extremely happy to note that TRAI mulls raising “minimum protection period” in order to protect telecom consumers & ensure transparency. It is high time that the present period of only six months available against hikes, is increased to atleast 1 year from the date of enrollment, into a tariff plan. Same time, lifetime subscribers & those in longer periods of validity should

be allowed to continue. The modification can be made as amendments to telecom tariff order.

### **BHARAT JYOTI CONSUMER ADVOCACY GROUP, LUCKNOW**

- We all agree with the modification suggested by the Authority

**Proposal 2: In cases of straight tariff reductions, where the declared intention of the operator is to extend the benefit to all subscribers without any attached liabilities, there shall not be any pre-condition of explicit positive action on the part of subscribers.**

### **CELLULAR PHONE USERS ASSOCIATION OF INDIA**

- There is a pressing need for introduction of this clause. There are several instance wherein the declared intent of the operator(s) is straight reduction of tariff, however, the essential requirement for availing such a tariff reduction is sending an SMS or calling an IVR system or calling call center etc.; such a positive action is not possible for all subscribers and consequentially the benefits of such a reduction of tariffs cannot reach all subscribers. The most recent example of the same is reduction in NLD/STD tariffs by almost all operators, wherein some of the leading operators made the tariff reduction limited to subscribers sending an SMS to a predefined number. The introduction of tariff reduction should be in a “non-discriminatory” manner.

### **CUAI**

- This is emergently required, as all the subscribers may not be aware of the revised tariffs or reductions. The mass media campaigns or SMS based campaigns of service provided may not be able to reach all subscribers or all subscribers may not be in a position to take an explicit positive action like sending an sms to a predefined number or calling customer care.
- Application of such revised (lower tariff) should be spontaneous for all subscribers (wherever beneficial) in a non discriminatory manner.

### **KERALA CONSUMER SERVICE SOCIETY**

- Feel that all service providers will follow the decisions announced by M/s. Vodafone & M/s. Idea in reducing long distance charges on request through an SMS, without any attached liabilities.

## **BHARAT JYOTI CONSUMER ADVOCACY GROUP, LUCKNOW**

- The benefit of any straight tariff reduction should be extended to all subscribers in all the existing tariff plans of the service provider, without any attached liabilities. The Tariff Plans need to be absolutely clear and transparent, and easily understandable to a common Telecom Consumer.

**Proposal 3: In cases where a subscriber of an existing lifetime validity plan or unlimited validity plan opts for migration to a new lifetime validity or unlimited validity plan, with lower entry fee, the service provider shall not levy any upfront payment or recurring charges or fee for allowing such migration.**

## **CELLULAR PHONE USERS ASSOCIATION OF INDIA**

- This should be done by the operators in a non-discriminatory manner.
- The benefit of revised scheme (like tariff reduction) should be automatically extended and subscriber moved to new tariff plan.
- The lifetime validity offers have been evolving as per the dynamics of targets and marketing oriented tariff plans of various operators, the one time tariff of about Rs.1000 has been revised to about Rs.295 with a host of tariff changes and special package cards for these subscribers.
- However, with any new change in the tariff, the older subscribers are left to look out for options (read another recharge) to shift to the modified tariff.
- It is absolutely important for the service providers to migrate such subscribers to newer tariff plan in the similar category without any additional upfront charges.

## **CUAI**

- This should be done by the operators in a non-discriminatory manner.
- The benefit of revised scheme (like tariff reduction) should be automatically extended and subscriber moved to new tariff plan.

## **KERALA CONSUMER SERVICE SOCIETY**

- It has to be ensured that service providers should not levy any upfront payment or receiving charges on existing validity lifetime subscribers during migration to new validity plans with lower entry fee.

## **BHARAT JYOTI CONSUMER ADVOCACY GROUP, LUCKNOW**

- We have the same opinion as the Authority.

**Proposal 4: No fixed fee other than applicable taxes shall be levied on recharges exclusively meant for provision of talk time value. However, the service providers can charge a nominal fee not exceeding Rs.2 per top up towards administrative costs.**

## **CELLULAR PHONE USERS ASSOCIATION OF INDIA**

- Yes, all the top up recharges should deliver full talk value (after applicable taxes).
- All operators practically have one or the other recharge option available at given time, which provides for full talk value (however, the same has to be meticulously looked for in a plethora of recharge options).
- This move will ease the customer of searching out for the offer of the day / ongoing scheme from various channels.
- Considering, large no. of prepaid subscribers and the fact that prepaid segment delivers advance revenues for operators; this should be a welcome move. A number of recharge options available from each service provider makes prepaid recharge a bag of confusion for the subscribers, this couple with fact that the types of recharge denominations and lack of information amongst the prepaid recharge distributors make the task of choosing a correct recharge option an uphill task for an ordinary subscribers.
- On top of it, there are recharge options which are time bound, event specific and there are instances where the recharge options are specific to certain select subscribers i.e., the option of recharge offer is not been made in a “non-discriminatory” manner, this is against the general principles of tariff fixation prescribed by TRAI.

- In order to streamline the choice available before a subscriber, the operators should be directed to offer full talktime on prepaid recharges and token administrative fees for “top-up” recharges.
- The recharges with validity are generally structured by the operators to yield minimum assured revenue.
- Majority of the revenue accruals from the prepaid recharges for operators is achieved through “electronic” recharges. The large operators are generating revenues to the tune of 40-50 crores per day from electronic recharges alone.
- A token administrative fee of Rs.2 per transaction is reasonable and justified to maintain and cover the expense of the transaction.
- The operators save revenue to the tune of 5-6% in prepaid compared to the postpaid segment on account of billing and bad debts.
- Additionally, the operators generate additional revenues in prepaid segment from non-refund of unspent balance in prepaid accounts.

The advance revenue generated in the prepaid segment is generating advance revenues and advance recovery of capital and profits for the operators, at the present interest rates, this amounts to 10-11% additional accrual of revenues on a yearly basis.

## **CUAI**

- Yes, all the top up recharges should deliver full talk value (after applicable taxes).
- All operators practically have one or the other recharge option available at given time, which provides for full talk value (however, the same has to be meticulously looked for in a plethora of recharge options).
- This move will ease the customer of searching out for the offer of the day / ongoing scheme from various channels. Considering, large no. of prepaid subscribers and the fact that prepaid segment delivers advance revenues for operators; this should be a welcome move.

## **KERALA CONSUMER SERVICE SOCIETY**

- No fixed fee other than permitted taxes shall be levied on recharges exclusively meant for provision of talktime value. Even Top-up charges should not be collected. .

## **BHARAT JYOTI CONSUMER ADVOCACY GROUP, LUCKNOW**

- No fixed fee other than applicable taxes (needs clarity), should be levied on recharges, exclusively meant for provision of talk time value. Yes, the service provider may charge a nominal fee, not exceeding Rs.2/- on each Top-Up, as the administrative cost..

**Proposal 5: If the terms and conditions of a lifetime plan/plan with unlimited validity include any condition of minimum amount of recharge at specified intervals, such interval shall be minimum six months. Before expiry of the specified duration for the recharge, in these plans, if any, consumers are to be reminded by the service providers in advance to avoid disconnection by default.**

## **CELLULAR PHONE USERS ASSOCIATION OF INDIA**

- Yes, this must be made mandatory in public interest.
- Any kind of disconnection or deletion of connection from switch should not be an uninformed activity. An automated reminder in the form of a SMS should be mandatory. This is more important for undeserved and marginal subscribers.

## **CUAI**

- Yes, this must be made mandatory in public interest.

## **KERALA CONSUMER SERVICE SOCIETY**

- Steps may be included to prevent disconnection by default. Steps may be initiated by TRAI to modify the present telecom tariff order to suit the above requirements.

**BHARAT JYOTI CONSUMER ADVOCACY GROUP, LUCKNOW**

- We have the same opinion as the Authority.

CONSUMER-VOICE.INFO AND CONSUMER UNITY & TRUST SOCIETY (CUTS) have generally welcomed the proposals of TRAI