



15th November, 2010

The Advisor (Economic Regulation)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
Nw Delhi - 110002

Subject Reply to consultation paper on certain issues relating to Telecom Tariffs.

Dear Sir,

We take this opportunity to congratulate you, for bringing this consultation paper, on “certain issues relating to Telecom tariffs”.

We are enclosing herewith our reply for your perusal. Hope that the above is in order.

Thanking you,

Yours faithfully,
For **Sistema Shyam TeleServices Ltd.**

T. Narasimhan
Dy. Chief Executive Officer.



1. What, according to you, are the challenges which Indian telecom subscribers face while understanding and choosing the tariff offers?

All segments of tariff are under forbearance, which has allowed telecom operators to come up with some of the most innovative tariff plans. Our experience, which is based on feedback from customers, is that the customer is most informed about the tariff plans. This is one of the reasons for multiple SIM proliferation.

Telecom subscribers, on the other hand, enjoy the most affordable telecom tariffs in the world. Tariffs are available in every variation catering to the need of every customer segment. Today, a mobile subscriber can remain connected and get incoming facility without paying a single rupee, thanks to lifetime validity (till the end of license period) of prepaid packs.

We as service providers, undertake all possible measures to ensure that all plans are communicated transparently and honestly. Needless to say, there already exist stringent regulatory guidelines to ensure that tariff plans are designed and communicated transparently.

To conclude, we feel that there are no major challenges that the Indian Telecom subscribers face while understanding and choosing tariff offers.

2. What according to you are the required measures to further improve transparency in tariff offers and facilitate subscribers to choose a suitable tariff plan?

TRAI has been issuing several directions and have amended several times the tariff orders. With such frequent and proactive interventions, it is quite justified to deduce that every possible gap has been plugged to ensure strict transparency in every aspect.

To improve the transparency further and facilitate subscribers to choose a suitable tariff plan, TRAI can conduct seminars in coordination with NGOs and publish a compiled data on TRAI's website.

3. Do you think mandating "One Standard Plan for All Service Providers" particularly for the prepaid subscribers as suggested by some consumer organizations would be relevant in the present scenario of Indian telecom market?

Every operator has different business plans; operating margins, risk appetite which makes the tariff more customer friendly. On a continuous basis the Operator is made to constantly innovate and come up with a plan, which is perfect for every segment of his customers.

By having one standard plan, and treating all customers as equal, we would not have come up with Rs 5 and Rs 10 denomination of re-charges. As India has adopted a regime of



forbearance, the operators have the flexibility to give the customers what he wants and fulfill the customer needs.

Mandating one standard plan for all service providers will essentially close all avenues for operators to innovate on new tariffs plans, technologies and value added services. Therefore, we do not agree that One Standard Plan should be mandated for all Service Providers.

4. Do you think the existence of large number of tariff plans and offers in the market are beneficial for the subscribers?

We firmly believe that the number of tariff plans is not 'large' at all. 21st amendment to TTO, dated 13th July 2002 had specified a cap of 25 plans per service area. This regulatory measure was implemented after a thorough consultation process in which inter alia, TRAI had recommended that a cap of 25 plans will ensure that too many plans are not there in the market that can confuse subscribers. To further strengthen and monitor the above mandate, TRAI had directed service provider to implement a unique numbering scheme for each tariff plan. As indicated in the instant consultation paper itself, all service providers have been ensuring strict compliance to the above provisions and as such do not have tariff plans more than 25 in any service area.

It is also submitted that each plan is designed after a thorough research of subscriber requirements and a gap analysis. Therefore, even if at first instant it may seem that there are too many plans, in practice all plans have their well-defined target segment. At any point of time when we feel that a particular plan has become redundant, the same is discontinued from the market proactively.

5. In your opinion is it necessary to revise or reduce the existing cap of 25 on the number of tariff plans on offer? If so, what would be the appropriate number?

The present cap of 25 plans is fully justified and the same should be retained. As already mentioned, each tariff plan is specifically targeted at a selected user base and the same is done after conducting thorough market research. For this reason, India today, enjoys the lowest telecom tariffs in the world. Any further reduction in the number of plans that can be offered in a service area will only reduce the choices available to the end subscriber.

6. Should there any limit be prescribed on the rates for premium rate SMS and calls? If so, what should be the norms for prescribing such limit?

The policy of tariff forbearance has worked well for the telecom market in India. At this point where there are on average 7-8 mobile operators in a service area, we feel reverting back to regulated tariff will a huge leap backwards specially taking in to account the intense competition in the mobile market.



Therefore we feel that regulated tariff should be resorted to neither in case of VAS or any other product category. Telecom operators are striving very hard to retain viability only on voice revenues. Valued added services like Premium rate SMSs provide an alternate avenue to augment already dipping ARPUs. Under such conditions any regulatory barriers can seriously affect the viability of operators.

As TRAI has rightly pointed out, the Premium Rates SMS services required a complex delivery mechanism involving various segregated agencies. But even so, in all occasions the operator who is billing the subscriber takes full onus for ensuring transparency in service delivery and also maintaining adequate quality of services. In all cases the subscriber is well aware in advance of the charges before he uses the services.

We therefore feel that no limit should be imposed on any Premium Rate SMS services.

It is pertinent to mention here that if IUC termination charge is brought to less than 10 p / minute this will induce further cut in tariffs for the end subscribers. It would be even better if TRAI switches to Bill, and Keep regime and that would enhance competition and no operators would be able to transfer cost to to the competitor.

7. If not, what further measures do you suggest to improve transparency in provision of the premium rate services to prevent the instances of subscribers availing such services without understanding financial implications thereof?

TRAI has issued number of regulation and directions to improve transparency in provision of the premium rate services to prevent the instances of subscribers availing such services without understanding financial implications thereof.

Transparency means that tariffs should be simple and there should not be any fine prints and that there should be explicit consent from subscriber before activation of any value added services. The existing regulatory regime is comprehensive to address all transparency issues in the tariff offers. The Hon'ble Authority has built adequate checks and balances to see that the existing regulations are not compromised in any manner.

We believe that besides TRAI directions, responsiveness towards customer is most important factor which is controlled through market dynamics. Apart from this, we do not see any further measures to improve transparency.

8. Do you think there is sufficient justification to allow the service providers to realign the ISD tariff in respect of existing lifetime subscribers in view of the grounds mentioned in their representations?

With the introduction of forbearance regime, the prices has become subject matter of market dynamics. The issue has come up because of TRAI fixing the international termination charge not taking into consideration the reciprocal arrangement. The nation is put to a great disadvantage as this has opened up arbitrage regime, wherein in large volumes of traffic is pumped through India.



Further as regards lifetime subscribers are concerned, we think it should be linked to provision of services and not for tariffs. As you would appreciate that tariffs are determined by market dynamics and increase or decrease is market play. Indian consumers are enjoying the most affordable tariffs and we as operators and regulators should leave this there.

Price escalation is to be recognized as fact of life. Even judicial proclamations in number of cases held that “escalation is normal incident arising out of gap of time in this inflationary age in performing a contract”. Supreme court in many cases has also allowed price escalation even when there was no provision in the contract for price escalation. In view of these judgments, we believe limitation by way of prescribing a protection from any cost escalation may not be legally and economically be appropriate.

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. Even the Authority regularly revises prices for free to air channels for CAS areas to compensate operators for inflation. 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. We believe that statutory protection against price escalation on telecom offers, which are for longer duration, should not be there.

In view of above, it is requested that the Authority may kindly review the TTO(43rd Amendment) and allow service providers to adjust tariff including ILD rates depending on the market dynamics for all subscribers including subscribers with life time validity.

9. What measures do you think are necessary to improve transparency and to prevent instances of un-intended recharges by subscribers in situations of cross-restrictions of recharges?

Proper information should be available with the subscriber about the recharge pack and restrictions on benefits of such recharge packs, to prevent instances of unintended recharges by subscribers. We believe an appropriate system should be put in place to reject a recharge when an ineligible customer recharges with a particular recharge voucher.

10. Considering the nature and structure of the prevailing tariff offerings in the market and advertisements thereof, do you think there is a need for TRAI to issue fresh regulatory guidelines to prevent misleading tariff advertisements?



TRAI has elaborate and comprehensive regulatory provisions already in place to ensure adequate transparency and prevent misleading tariff advertisement.

On the contrary, we feel that most of the guidelines are now outdated and have become redundant especially in the light of increased competition in the mobile market. Some of the directions have become practically impossible to abide with changes in market conditions.

For example, Direction No. 301-26/2003-Eco dated 2nd May 2005 specifies that each recharge coupon should have minutes of use available as per traffic distribution table specified in the said direction. While this could have been possible earlier when recharges were essentially in paper based, complying to this provision is now near impossible and redundant since more than 85 % of total recharges are now done on electronic vouchers. Therefore, there is an urgent need to identify and remove all those provisions that may have been relevant earlier but now have become redundant.

11. Do you agree that the instances of 'misleading' tariff advertisements listed in this paper adequately capture the actual scenario in the market? If not, provide specific details.

The TRAI Regulations, Directions and Orders have enough safeguards and are more than adequate to address the concern of the subscribers and therefore further measures are not required to improve the transparency in tariff offers. Any Tariff offering or advertisement, which is misleading, should be considered as lacking in transparency, and the service provider should not be permitted to offer such plans.