

Consultation Paper No.3/2008



Telecom Regulatory Authority of India

Consultation Paper

On

**Issues arising out of Plethora of Tariff
Offers in Access Service Provision**

29th January, 2008

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PREFACE

The most visible impact of the various regulatory and policy measures in the first decade of telecom liberalization process has been the advent of competition in the sector. The competition is more intense in the access segment and the benefit of this competition has resulted in increased affordability of telecommunication service, innovative tariffs and services for the consumers. However, the competitive activity has also resulted in a large number of tariff offers being made by the service providers in order to acquire and retain their subscribers. Transparency in service provision is and has been one prime issue of concern for the Authority. The Authority had visited this issue in the year 2004 by initiating a consultation process by issuing a Paper titled “Limiting the number of tariff plans offered by the access providers”. That process resulted in issue of 31st Amendment to Telecommunication Tariff Order in July 2004, which contained certain landmark provisions to protect the interest of the consumers. The Authority has issued several regulatory mandates after that also in order to enhance transparency in provision of service and to protect the interests of the consumers of telecommunications services in the country.

The competition in the access service segment has further intensified. Several new licensees had started operations and existing operators have rolled out their networks further. The Authority has been watching the developments in the market closely and also analysing the feedback from the consumers on the intense market activities. Despite the various measures taken by the Authority to enhance transparency in the matter of service provision and to protect the interest of the consumers, there is a growing feeling among the customers that the various offers being made by the access service providers are not transparent and thus are not consumer friendly.

The Authority continues to receive complaints from consumers and consumer organizations highlighting inter-alia issues affecting transparency in the tariff offers of access service providers. Considering the sensitivity of the matter, the Authority feels it desirable to have a re-look at the regulatory framework governing tariff offers by following the well established procedure of having an open consultation with all the stakeholders.

This consultation paper discusses the various issues arising out of the plethora of tariff offers in the access segment and the need to address the consumer issues arising out of it.

This paper is also available on TRAI's Web Site (www.trai.gov.in)

All the stakeholders are requested to submit their comments and views on any or all issues raised in this paper on or before 28th February, 2008. Submissions in the electronic form would be appreciated. For further clarifications, Shri M. Kannan, Advisor (Economic), TRAI may be contacted on telephone number 23230752, fax number 23236650 or e-mail mkannan05@gmail.com.

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Chapter-1

Introduction

1.1. The liberalisation of telecommunication services has transformed the country's telecom sector from a State monopoly into a highly competitive market within a span of 10 years. The effects of competitive forces are most visible in the access segment constituting basic and mobile service and particularly in the latter. The policy and frame work for tariff regulation has also been reviewed and suitably modified by the Authority from time to time keeping pace with the emerging competitive market and also to foster it further. The tariff regulation currently stands at a point where tariffs are forborne except for fixed rural line services, national roaming in mobile service and Leased Circuits.

1.2. Under the provisions of 30th Amendment of Telecommunication Tariff Order (TTO) notified on 16.1.04, the service providers have been given the flexibility to report their tariff plans to the Authority within 7 days from the date of implementation after conducting a self-check with the relevant regulatory principles which inter-alia include tariffs being IUC compliant, non-predatory and non-discriminatory. The number of plans that can be offered by an access provider in each licensed service area is subject to a cap of 25 plans by virtue of the provisions of 21st amendment to TTO which specifies that "At any given point of time not more than 25 plans shall be on offer by a service provider. This includes both post paid and pre paid tariff plans. "

1.3. In the year 2004 the Authority reviewed the above position through a consultation process by issuing a Consultation Paper titled "Limiting the number of tariff plans by the Access Providers" on 8th March 2004 and the process resulted in issue of 31st amendment to TTO which contained some landmark provisions as far as protecting the interests of consumers are concerned. The major reason for undertaking the review at that time was on

account of the concern from several quarters that number of tariff plans offered in the market are too large and this was confusing consumers and affecting their ability to make informed choice. Apprehensions were also expressed that existence of too many plans could also affect transparency in charging, migration to other plans etc. The consultation paper posed the following issues for consideration before the stakeholders:

- a) What should be the permitted number of plans?
- b) What should be service segments for application of the proposed caps?
- c) Should a minimum validity period be specified for tariff plans offered in the market?
- d) Are business/corporate plans to be treated as separate segment?
- e) How to treat value added services/tariff toppings?
- f) Should promotional plans offers be made as a standard discount offer?

1.4. In the consultation process, the Authority received both view points, i.e. for and against regulating the number of tariff plans. The consumer/consumer groups generally favoured the idea of regulating the number of tariff plans, while the operators held the view against it. The points raised in favour of are noted below:

- i) Large number of plans confuses the customers.
- ii) If the benefits of the telecom sector have to really percolate to ordinary subscribers, new tariffs and promotional schemes must be implemented in an organized manner. A subscriber will benefit more if there are just a handful of schemes that he could understand, instead of large number of indecipherable plans.

1.5. The counterview submissions emerged from the process were based on the following considerations:

- i) Limiting the number of tariff plans will not only limit the ability of the service providers in effectively competing in the marketplace, but also go against the interests of consumers.
- ii) Introduction of any kind of cap on tariff plans is not necessary at this moment as it will amount to further interference with the dictates of the market place.
- iii) All operators require certain flexibility with reference to number of tariff plans. Ideally, till such time the customers' interest is not affected and the availability of information to customers about the various plans is transparent, easily available and comparable to make an informed decision, the number of plans be best left to the option of the operators.
- iv) In the competitive telephony market of today, practically all of the marketing battles are being fought on the tariff plank. Since the market is still growing rapidly and almost all the service providers are focused on new subscriber additions, flexibility in tariff setting is their principal instrument to attract subscribers

1.6. The concerns of consumer representatives were more about the lack of transparency in offering and implementing the tariffs and also in the billing rather than the multiplicity of the plans in the market. They favoured limiting the number plans on the consideration that it would perhaps bring more transparency in tariff offers. They were also troubled by the sudden and frequent withdrawal of the tariff plans and the subsequent migration process. The view generally held was that if these issues could be addressed, the problems associated with existence of large number of plans in the market would be minimised to a large extent.

Suggestions received in this regard were as follows:

- a. TRAI should mandate publication of tariff plans in a manner that allow comparison.
- b. There shall not be any hidden charges or charges in the fine print.
- c. A plan once introduced by a service provider shall have reasonable validity period. However, the customer should be free to switch over plans and there should not be any binding period for him.
- d. For withdrawal of a tariff plan, advance notice with reasonable time to each individual subscriber enrolled in the plan shall be mandated.
- e. In the event of closure of a plan, migration to any other plan shall be with the consent of the customers.

1.7. In brief, the position emerged from the consultation process was as follows:

- i) The operators were not in favour of limiting the number of tariff plans.
- ii) The consumers' were mainly concerned with the lack of transparency in the manner in which the plans are offered and implemented. They have supported limiting the number of tariff plans as a means to enhance the transparency.
- (iii) If transparency in publishing and implementing the tariffs and in billing the customers can be ensured the problems generated by the multiplicity of the plans can be contained to a large extent.

1.8. In view of the responses received from the stakeholders and in view of the dynamism in the market on account of intense competition, the Authority at that point of time decided not to further regulate the number of tariffs offered by the access providers and to continue with provisions of the 21st Amendment to TTO dated 13.6.02 that put a cap of 25 plans on offer by a service provider at any given point of time.

1.9. At the same time the Authority also felt the need to enhance the level of transparency in provision of service especially in the manner in which the tariffs are offered and implemented. The Authority, therefore, decided to incorporate certain suggestions received during the consultation process in the TTO thereby making its compliance mandatory for the access providers. Accordingly 31st amendment to TTO was issued on 7th July 2004 incorporating the following provisions:-

i) A tariff plan once offered by an Access Provider shall be available to a subscriber for a minimum period of SIX MONTHS from the date of enrolment of the subscriber to that tariff plan.

ii) The subscriber in the said tariff plan shall be free to choose any other tariff plan, even during the said SIX MONTHS period. All requests for change of plan shall be accepted and implemented immediately or from the start of next billing cycle.

iii) For any tariff plan, the Access Provider shall be free to reduce tariffs at any time provided that no tariff item in that plan shall be increased within said SIX MONTHS period.

1.10. The Authority enacted the above provisions with the intention to curb the practice of the operators offering new regular tariffs/tariff plans and withdrawing or revising it suddenly, upsetting the basic considerations on which the subscriber has exercised his choice for the tariff. This had been

causing inconvenience to the subscribers already enrolled and also forced them to migrate to another plan. The new provisions have since ensured the availability of the service to the subscriber for the chosen price level at least for a period of six months. There is, however, no restriction on the operators in reducing any items of tariff even during this period of SIX MONTHS. The provisions of this tariff order considerably mitigated the problems faced by the customers on account of the frequent revision/withdrawal of the tariffs/tariff plans by the service providers and also made the migration of the subscribers from one plan to another more transparent and consumer friendly.

1.11. The directive issued by the Authority on 24.5.04 in the meanwhile addressed the suggestion in respect of a more transparent method in publishing the tariffs (which was further modified in 2005). The directive prescribed a format in which the service providers should advertise their tariff plans. The website of the service providers were required to contain the details of calculations/methodology etc as to how the financial implications of different slabs of usage that are advertised have been arrived at.

1.12. The Authority has issued several mandates and guidelines after notification of the 31st amendment to TTO in order to enhance transparency in provision of service and also to protect the interests of the consumers of telecommunications services in the country. Some important measures taken by the Authority post 31st amendment to TTO are discussed in Chapter2 of this Paper.

Chapter 2

Regulatory measures in the matter of tariff offers – Post 31st Amendment period.

2.1 As discussed in Chapter 1, the 31st Amendment to TTO mandated several measures intended to protect the interest of the subscribers. The Authority had taken several important Regulatory measures to enhance and ensure transparency in the matter of service provision subsequent to the issue of 31st Amendment to TTO on 7th July, 2004. Some of the important measures are briefly discussed below:

43rd Amendment to TTO

2.2 The spirit of 31st Amendment to TTO was further extended by the Authority in the 43rd Amendment to TTO. This Amendment Order was issued in the context of several mobile service providers offering plans in the nature of lifetime schemes. The Authority had a detailed consultation process on the pros and cons of the life-time schemes especially on the implications for the consumers in the long run. The provisions of 43rd Amendment to TTO issued on 21st March, 2006 are based on the principles enunciated in the 31st Amendment Order and it further expanded the scope and extent of protection of the subscribers from tariff increases.

2.3. The provisions of the 43rd Amendment Order are:

(a) 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.

(b) The subscribers are free to choose any of the tariff plans during the respective validity period of the plan to which they are enrolled.

(c) No item of tariff in the tariff plan can be increased by the access service provider during the relevant validity period. However, the service provider is free to reduce tariffs at any time.

2.4. With the issue of the 43rd Amendment to TTO, the life time customers are protected from tariff hike for the entire license period of the service provider. The life time offers were initially launched towards the end of the year 2005 and generally the offers constituted a combination of a one time upfront payment in the range of Rs.1000 + a local call rate of Rs.1.99/minute + full talk time on future recharges. Since then there have been several versions of the life time schemes launched in the market. There are schemes with a lower upfront payment; but with condition of a minimum specified recharge every regular interval, mostly six months. The latest version of the life time schemes offered by some of the operators have attractive local tariff of Rs.1/minute against some processing fee on subsequent recharges. The provisions of the 43rd amendment to TTO are applicable in respect of all such versions of life time schemes and customers enjoy protection against tariff hike for the entire licence period of their operators. There are other categories of subscribers also who are protected from tariff hikes for specified period by virtue of this tariff order. Customers who subscribe to tariff plans with specified validity are also protected from tariff hikes during that specified period. There are large number of handset schemes offered in the market currently. In such schemes, if any network lock-in period is specified by the operator, such lock-in period will be treated as validity period for the purpose of application of the provisions of the 43rd amendment order. Thus customers of handset offers are entitled to protect from tariff hikes during the said period.

Direction dated 16th September, 2005 regarding tariff plans with misleading titles

2.5. Another consumer interest matter which entailed the attention of the Authority was that several tariff plans were offered in the market with titles which lacked transparency and were misleading or had the potential to mislead the subscribers. In order to address this aspect, the Authority on 16th September, 2005 issued a Direction to Telecom Service Providers prohibiting them from offering tariff plans with misleading titles. The provisions of this Direction are as follows :

- (a) No tariff plan shall be offered, presented, marketed or advertised in a manner that is likely to mislead the subscribers. For example, title of a tariff plan which suggests absence of Rental would be misleading if the plan has Monthly Mandatory Fixed Charge in one form or other.
- (b) All monthly fixed recurring charges which are compulsory for a subscriber under any given plan shall be shown under one head.

The Authority further amended the above direction on 28th August 2007 to bring in more transparency in the matter of provision of CLIP, a facility generally availed by the customers. The provisions of the 27th August Direction mandated that charges for CLIP facility cannot be made a compulsory item of tariff for the subscribers in any tariff plan and whenever CLIP charges are sought to be levied by Service Providers, this shall be optional for subscribers. Though the Authority has refrained from mandating a cost based tariff for CLIP keeping in line with the policy of tariff forbearance, the Authority has re-emphasised the need for enhanced transparency with regard to charging for CLIP, through this Direction.

Direction on information to customers about complete details of the tariff plan

2.6. The Authority had been receiving a number of complaints from consumers that while taking new connections through franchisees/agents of service providers, they were promised certain tariffs for calls and certain facilities/services like CLIP, roaming fee etc., free of charge, or that charges for certain facility/services were not mentioned. However, when they received the bill they noticed that the charges were not as promised by the franchisee/agent or that charges were levied for some service/facility, which was not mentioned or shown to the customer while taking new connection. It is understood from the complaints received by the Authority that the complete tariff details or tariff brochures were not shown or provided to the prospective customers by the franchisees/service providers while taking new connections. In order to address this consumer transparency issue, the Authority issued a direction on 29th June 2005 directing the access service providers to inform the customer in writing, within a week of activation of service, the complete details of his tariff plan. In addition, as and when there are any changes in any aspect/item of tariff in the chosen package, the operator shall intimate, in writing, such changes to those subscribers whose tariff packages undergo a change.

Direction on provision of chargeable Value Added Services

2.7. The Authority had taken note of several instances where customers were charged for Value Added Services without their explicit consent. There had also been instances where at the time of launch of any new services, the customers were given the services free for certain promotional period. After the expiry of the promotional period, the service providers were charging the customers for the services without taking consent of the customers for availing the services at a price. On 3rd May, 2005, the Authority issued a Direction to all Access Service Provider that no chargeable Value Added

Services shall be provided to a customer without his explicit consent. It was also mandated that any Value Added Services which was earlier been provided free of charge shall not be made chargeable without the explicit consent of the customer. The Authority issued another direction on 30th October 2007 further supplementing this measure further by clarifying the manner of seeking explicit consent from the customers.

Direction dated 2nd May, 2005 regarding publication/advertisement of tariff for consumer information

2.8. Another matter which occupied the attention of the Authority was the manner in which the tariff plans were published/advertised by operators. The Authority had earlier specified formats for publication/advertisements of tariff by way of a Direction on 24th May, 2004. In order to further enhance the transparency in the matter and with a view to ensure that the minimum essential tariff information is available to subscribers, the Authority revised the formats and issued a fresh Direction on 2nd May, 2005. This Direction inter-alia also mandated that the websites of the service provider shall contain complete details of the tariff plans as well as financial implications for various usage slabs.

2.9. In order to ensure that the service providers invariably publish the details of the tariff plans on their websites, the Authority on 1st September, 2006 issued instructions to the service providers that tariff report without a website declaration shall be treated as incomplete and thus not meeting reporting requirements as specified by the TTO .

General Advisory dated 23rd May, 2006 to Service Providers on transparency in the tariff offers and in disclosures to consumers

2.10. On taking note of the fact that the service providers are not giving adequate importance to consumer transparency issues, the Authority on

23rd May, 2006 issued a general advisory to all telecom service providers emphasizing the need to take pro-active measures by them. In the Advisory, the Authority had pointed out the fact that the interface of operators with the consumers are mostly through an unorganized supply chain which is not equipped to provide correct and proper information to the consumers. The Authority also highlighted the fact that the service providers are rolling out their network to areas outside metros and large towns and socio-economic standing of the population from these non-urban areas calls for the urgent need to enhance the transparency level while offering tariffs. The Authority has advocated the service provider to provide printed material in English and Vernacular Language to customers at the time of enrolment inter-alia containing:

- a) Full and complete tariff information sheet
- b) The features of the service offered with special emphasis on roaming, premium rate services and other optional and value added services
- c) The Terms and Conditions including the exceptions attached to the service in unambiguous terms.
- d) The rights of the consumers emanating from the various decision of the TRAI
- e) The common charger of service agreed upon by the service providers

Advisory on charging for SMS on Festival/customary days.

2.11 Several telecom operators are offering free/discounted SMS Schemes. Such offers are made either as part of regular tariff plans with or without an additional monthly payment or are offered as packs valid for specified period or as promotional schemes. Some operators had reported to TRAI that such free/discounted SMS under various plans/packs shall not be available to customers on certain specified days which happen to be social, cultural/ festival days. A number of consumer complaints alleging lack of transparency

were received after introduction of this new scheme, sometime during December, 2006. In May 2007 the Authority laid down guidelines asking the service providers to follow certain principles to ensure transparency in the charging of SMS on such days which is generally termed as 'SMS blackout' days. Under these Guidelines any operator implementing separate tariffs on 'blackout' days has to ensure the following:

- i) The 'black out' days i.e. the days on which free/concessional SMS are not available shall be clearly indicated in the package itself.
- ii) The SMS charges applicable on these special days shall be explicitly conveyed to the subscribers.
- iii) The dates corresponding to the 'black out' day shall not be altered after the pack is subscribed by the customer.
- iv) There shall be no addition to the list of black out days after the pack is subscribed by the customer

32nd Amendment to TTO

2.12. The Authority notified the 32nd Amendment to TTO on 7th October, 2004 incorporating the provision in the Telecommunication Tariff Order that if any postpaid customer requests for itemized bill relating to long distance call, it should be provided free of charge by the access providers. This decision was taken by the Authority after careful consideration of the provisions relating to billing in the license agreements for Basic, Cellular, Unified Access, NLD and ILD license and above all consumer's interest in general.

46th Amendment to TTO

2.13 The 46th Amendment to TTO issued by the Authority on 24th January 2008 mandated that hardcopy of the summary bill/printed copy of the bill to be supplied free of cost to all postpaid customers of telecom access service.

Provision of usage details to prepaid mobile customers

2.14. The Authority had issued Telecom consumers protection and Redressal of Grievances Regulation, 2007 on 4th May, 2007. These regulations provide for putting in place an institutional mechanism to redress the grievance of consumers of telecommunication services in a time bound manner. These regulations inter-alia also specifies that on request from any prepaid mobile customer, the information relating to usage details in terms of all call data records including value added services, premium rate services and roaming charges, and their monetary value shall be provided to him at a reasonable cost.

Simplification of roaming tariff structure for National Roaming Service

2.15. The Authority on 24th January 2007 notified a tariff order (44th Amendment) specifying revised tariffs for national roaming service. This Amendment, apart from ordering substantial reduction from the then prevailing tariffs, also replaced the two part charging regime(, a monthly fixed charge for access to the roaming facility + an airtime charge that depend on usage) with a composite roaming tariff. Besides the abolition of roaming rental, the Authority did away with the surcharge and the PSTN charges from the applicable roaming tariff structure. Further, it was ordered that there shall be no levy for receiving an SMS while roaming.

2.16. The Authority has been watching the developments in the market closely and also analysing the feedback from the consumers on the intense market activities. Despite the various measures taken by the Authority to enhance transparency in the matter of service provision and to protect the interest of the consumers, there is a growing feeling among the customers that the various offers being made by the access service providers are not transparent and thus are not consumer friendly. The Authority continues to receive complaints from consumers

and consumer organisations highlighting inter-alia issues affecting transparency in the tariff offers of access service providers. Considering the sensitivity of the matter, the Authority feels it desirable to have a re-look at the regulatory framework governing tariff offers by following the well established procedure of having an open consultation with all the stakeholders. Some of the issues debated in the earlier consultation process are still very much relevant. In addition there are certain new issues to be discussed that have cropped up due to the ever increasing marketing activities. Chapter 3 contains the relevant facts and figures.

Chapter-3

Analysis of the issues relating to number of tariff offers in the market

3.1 Data on plan-wise subscribers has been obtained from the service providers and analysed in respect of various service providers in cellular mobile services market. The analysis reveals that a large proportion of subscribers are being acquired in very few plans meaning thereby in the rest of the plans, subscription is very minimal and in many cases negligible. On an average, over 75% of post paid subscribers have been acquired in about 5-6 plans.. Almost the situation is not very different in respect of prepaid platform. It is noteworthy that lifetime tariff plans continue to attract large number of subscribers. One explanation for this situation could be that not all price plans can be equally popular in any market and cellular mobile service is no exception. It is also possible that certain plans are offered in certain parts of the circle as local purchase preferences of consumers within a circle may vary and obviously the service provider has to cater to all segments of the population in the entire geography of a circle. Another viewpoint on this could be that consumers are not aware of the features of all the plans that are available in the market because of the problems associated with the unorganized retail supply chain of this industry.

3.2 There are views both for and against regulating the number of tariff offers in the market. Several such views were received in the previous consultation process and discussed and considered in detail before issuing the regulatory guidelines as contained in the TTO 31st Amendment. Many of those factors are still relevant. In the intervening period the access market has grown phenomenally and the Authority has also taken several steps in tandem for fair play and conduct of the operators. Various arguments supporting and opposing necessity of any regulatory intervention on limiting the tariff options in the market are discussed below:

Too many Plans confuse the consumers

3.3. One of the main issues raised in the earlier consultation paper of 8th March 2004 was the existence of large number of tariff plans and the widespread concern that too many tariff plans confuse the subscribers and render informed choice very difficult. This affects the ability of the customers to identify the ideal tariff package to suit his requirements and affordability. More than 3 years down the line, the situation in the access segment has not changed much. Rather with the entry of new operators in some of the service areas the number of tariff plans on offer has infact gone up. The number of tariff plans on offer for the customers in different Circles for the different services are as below:

S.No	Circle	Number of Plans on offer (as on 30.09.07)			
		Wireline	Fixed Wireless	Cellular Mobile	Total plans
1	AP	43	38	117	198
2	Gujarat	43	38	130	211
3	Karnataka	44	38	116	198
4	MH	43	41	117	201
5	TN	43	38	113	194
6	Haryana	43	38	121	202
7	Kerala	43	38	117	198
8	MP	43	38	106	187
9	Punjab	65	38	152	255
10	Rajasthan	55	38	114	207
11	UP(E)	43	38	107	188
12	UP(W)	43	38	123	204
13	WB	35	38	118	191
14	Assam	11	0	71	82
15	Bihar	35	38	95	168
16	HP	35	38	119	192
17	J&K	11	0	54	65

S.No	Circle	Number of Plans on offer (as on 30.09.07)			
		Wireline	Fixed Wireless	Cellular Mobile	Total plans
18	NE	11	0	70	81
19	Orissa	35	38	100	173
20	Chennai	43	38	108	189
21	Delhi	45	38	137	220
22	Kolkata	43	38	106	187
23	Mumbai	41	38	117	196
	Total	896	763	2528	4187

3.4. All India average of the above figures suggest that the total number of plans on offer per service area is 39 in wireline, 38 in WLL(F), and 110 for mobile services (GSM and CDMA put together). These figures are expected to substantially increase in the near future when Government issues licenses to new operators in the mobile segment and they commence their operations.

3.5. The above average number of plans is much higher compared with the position prevailed when the Authority visited the matter in the year 2004. The major change in the regulatory framework that has taken place since the last consultation is that presently by virtue of the provisions of 31st/43rd amendment to TTO there is a guarantee that a consumer will continue to get the service at a certain level of tariffs for a minimum specified period. This period secured from tariff hikes varies depending on the validity offered by the SPs and that even extend to the entire licence period (current or renewed) in respect of customers of lifetime schemes. Thus the issues associated with frequent withdrawal/revisions in tariffs that are disadvantageous to customer upsetting the basic considerations on which he exercised the choice for that particular tariff plan has since been effectively addressed by the Authority to a large extent. More than the number of tariff plans offered in the market, what

appears to be causing confusion in the minds of a prospective customer is the rapidity with which the tariff offers undergo changes. This appears to be the case in the cellular mobile services which is witnessing intense competitive activity.

Add-on packs and Promotional Offers Galore

3.6. In the initial stages of telecom operations, service providers were offering tariff packages that were much simpler in nature. In postpaid, a comprehensive tariff package was offered. In prepaid, at the time of enrolment customers used to choose a tariff pack with items of tariffs specified and they continued to avail the service buying validity and talk time as per their requirement. The talk time were deducted from the account of the customer at rates set in the initial pack. However the scheme of tariff offers has since changed drastically with the intensified competitive activity with service provider vowing to acquire new subscribers and also to prevent churn from their network. This has led to a situation where a large number of add-on packs flooding the markets, especially in the prepaid segment which constitute 80% of the mobile segment. The Authority has infact tried to find out the number of add-on packs on offer and the other relevant information. But several service providers did not have the full information. Hence it may not be incorrect to conclude that the situation has become unmanageable even for the service providers themselves.

3.7. The components of Add-on packs vastly vary. There are simple packs that offer lower usage charges for a specified period, for eg. SMS pack, local pack, STD pack, on-network pack, off-peak pack etc. There are other sets of packs which offer any or combinations of any of the aforesaid rates along with talk time. Then there are also add-on packs which offer validity, talk time and a distinct set of tariffs different from the plan which the subscriber had enrolled into. As mentioned earlier unspecified number of packs are on offer and a large number of them virtually replicate the features of a full fledged tariff

package and it is difficult to distinguish from normal tariff plan. Thus as if the confusion on the number of plans is not enough, the operators create further confusion in the minds of the consumers. The manner in which these packs are marketed also has become a major cause of resentment among the consumers as the Authority is receiving a number of complaints alleging that they are cheated by the service providers.

3.8. Another problem that was discussed in the earlier consultation process was the prolificacy of tariff plans that were offered in the nature of promotional plans/offers. This issue is still very much relevant and the number of promotional offers has been on the rise constantly with the increased competitive activities witnessed by the market. The marketing strategies adopted by various operators to augment /retain their customer base, to encourage network usage, to achieve specific revenue targets etc are making the nature and scope of such offers further complex. The segmentation of customer base is resorted to based on large number of criteria for the purpose of offering such schemes. Such criteria vary from usage profile, loyalty, to customary/religious days to non-descript occasions. The incentives offered under promotional offers do also vary, for eg; Rebate in rental, reduced STD/ISD charges, free SMS, free pulses/talk time, waiver of activation fee/security deposit, free Internet access, VAS free or at concessional rate, free gifts, eligibility to win prizes either in the form of additional benefits in terms of talk time etc. or prizes from other industry (eg: Car).

3.9. The Authority has received representations from consumers on the multiplicity of plans in the market leading to confusion and there are also media reports commenting on the profligacy of tariff offers in the market. The tariff plans by each service provider are so large in number that the Authority has noticed through various customers that even the service providers' marketing executives are not able to explain various tariff plans to their

customers. There is an emerging viewpoint that the growing number and expanding scope of tariff plans, add-on packs, top-ups, promotional offers etc are a matter of consumer concern given the marketing strategies adopted by the operators and the transparency levels. This viewpoint also suggests that some sort of regulatory guidelines may be necessary to regulate the provision of promotional offers to ensure that the customers are able to understand the schemes better to make a conscious decision easy for them.

Views against limiting the tariff offers

3.10. The position explained above and the analysis thereof considers the point of view from the need for further transparency in tariff offers and the enabling the customers the opportunity of an informed choice. However there could also be some counter views on the issue and the analysis. It can be argued that the number of options in the matter of tariff is a genuine outcome of the competitive activities and intervening in the matter is against the spirit and the policy of fostering competition in the market and amount to interference with free play of market forces. The more number of plans/packs provides the consumer more options and the opportunity to avail a better package suiting his requirements, if not, getting a package which is tailor-made to his usage profile. Thus any suggestion to put a cap or limit on the tariff offers is against the interest of consumers.

3.11. Though the fact that as many as 110 plans are on offer for mobile services on an average in a service area may look alarming, a view is also possible that these numbers present a mere statistical probability and not a real situation. In any case subscribers will be happy to have more options available to choose from. The prices are not the sole consideration for consumers while choosing a service provider or a service. He may have preference for a particular billing platform or a technology irrespective of the tariff offers and then choose the plan within his choice. These options yet

again shrinks further as many of the plans offered by the operators are matching offers with virtually no difference in the applicable tariffs (for eg: life time plans, India one plans etc).

3.12. It is a general perception that an ordinary consumer may not be aware of his own usage pattern. For example, number of minutes of usage of inter-circle terminated in the off-network separately for mobile and fixed networks. Such parameters do have implications for tariff and market segmentation analysis takes into account be prevalence of such usage pattern. For any service or product, the best pick is possible when consumer has at least a reasonable idea of his requirement. Telecommunications services are not exception to this principle and if customers are not clear about his usage he will naturally find it difficult or confusing to pick the suitable plan.

3.13. A similar view supporting the promotional offers can also be formed considering that the promotional schemes are in general beneficial to the consumers conferring them with free/concessional usage etc. the options available in the market in form of add-on packs, limited period offers etc may be handy for customer who is not decisive of what could be his usage or for customers whose usage pattern are not definite and keep on changing. They 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.

Chapter-4

Issues for Consultation

4.1 The Authority is inviting the views and suggestions of the stakeholders on the issues discussed in this consultation paper and also ways and means to address them. The interests of the consumers are to be protected and at the same time the operators shall not be denied the flexibility in offering the tariffs. . This leads us to several points to be considered.

4.2 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?

4.3 What should be the service segments for application of the proposed cap?

For example wireline and wireless. Then segmentation for the purpose of tariff plan capping can also be considered on the basis of billing platform i.e. postpaid and prepaid.

4.4. 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.

The consumer issues arising out of the very large number of add-on packs are discussed in para 3.6 & 3.7 of this Paper. As pointed out, the service providers are offering number of add-on packs that virtually replicate the features of a full fledged tariff plan. Hence the specific question of counting such pack as tariff plans has been posed, apart from the other general issues relating to the add-on packs.

4.5 How to treat value added service in this scenario?

Presently service providers are using different permutations and combinations of value added services for generating new tariff plans. For

example by prescribing different monthly or usage charges for a VAS, a tariff plan is offered in the market as a new plan. If this is allowed, the purpose of putting a cap on the number of plans would be defeated. Each tariff plan should clearly identify tariffs for each elements including VAS.

4.6. Should a minimum validity period of 6 months specified for tariff plans by the provisions of 31st amendment to TTO needs to be reviewed?

31st amendment to TTO was the culmination of the earlier consultation process on the issue of limiting the number of tariff plans. This issue raises the question whether prescribing an increased validity period for a plan once it is offered to the customer can bring more stability in the market and also enhance the transparency?

4.7. 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?

There are generally two kinds of promotional tariffs. The first category is where both the offer as well as the promotional benefit so available for the customer is valid for a limited period. In the other category the offer may be valid for a period limited to 90 days: but the benefits available to the customers may exceed 90 days and even can be indefinite period just like a regular tariff offer (For example a full fledged tariff plan offered for subscription for a few days). The question is in relation with the second category of promotional tariff plans.

4.8. Is there a need to regulate or restrict the promotional offers and if so what should be the measures?

The number and nature of promotional plans also contribute to the confusion in the market. As explained elsewhere in this Paper, they tend to

confuse the customers in the sense that they are multiple promotional offers cutting across various tariff plans. Service providers that are part of business houses with interest in multiple sectors and vertically integrated operators can even use the provision of promotional scheme in an unfair and anti-competitive manner. On the other hand, it could be argued that promotional offers are beneficial to the consumers and be allowed without any restrictions.

4.9. What further measures should be advisable to improve the transparency in the tariff offers?