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Telecom Regulatory Authority of India

Consultation Paper

On

Tariff plans with Lifetime validity.

16th January 2006

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Preface

Telecom Regulatory Authority of India is empowered to fix tariffs for telecommunication services under Section 11 (2) of TRAI Act, 1997. Keeping in view the intensity of competition in access market in general and in the mobile segment in particular, the Authority has deregulated the tariff regime during the last few years. Excepting the tariffs applicable for fixed line services in rural areas, and for national roaming in the cellular mobile services, the tariff in voice telephony is forborne. However, the tariffs offered by the service providers in this space have to be consistent with the principles laid down in this regard which include the principle of Non-Discrimination, Non-Predation, IUC compliance etc.

This Consultation Paper discusses various aspects of tariff schemes with lifetime validity recently launched by Telecom Service providers in different parts of the country. These schemes enable a customer to receive incoming calls for lifetime in lieu of an upfront payment of about Rs.1000/-. While such schemes would be beneficial for customers with low usage profiles, certain important issues having impact both on the consumer and the telecom sector would require attention. The important issues to be addressed include long-term viability and sustainability of such tariff schemes and the precautions required to protect the interest of consumers who make upfront payment for certain promised features to be availed for life.

All Stakeholders are invited to participate in this consultation process by providing their comments on the issues raised in the Consultation Paper followed by participation in the Open House Discussions, which would be held sometime in February 2006.

The paper has already been placed on TRAI's Web site (www.trai.gov.in). Written submissions containing specific comments on the issues raised may be furnished to Secretary, TRAI by **31.1.2006.** Submissions in electronic form would be appreciated. For further clarifications, Shri M.Kannan, Economic Adviser, TRAI may be contacted on Telephone No.26160752, Fax. No.26103294 or email trai18@bol.net.in.

(Pradip Baijal)
Chairman, TRAI

CHAPTER 1

Introduction:

1.1 Telecom Regulatory Authority of India (TRAI) Act has empowered the TRAI to notify tariff for telecommunication services. In exercise of these powers TRAI has been issuing Tariff Orders specifying tariff for telecommunication services and related regulatory principles.

1.2 In the initial stages TRAI prescribed standard tariff packages for basic service and cellular mobile service. The service providers were also required to seek prior approval of the Authority before launching new tariff plans and/or making changes in the existing plans. Subsequently, taking into account the high degree of competition and declining tariff, the Authority gradually moved into a regime of tariff de-regulation.

1.3 Though the tariff in general for mobile service has been forborne, the Authority has mandated certain safeguards with a view to protect the interest of subscribers. These safeguards, inter-alia include the condition that if there is any amount that is unused at the end of the validity period, this amount should be carried over to the renewed card, if such renewal is done within a reasonable, specified period. Thus, a subscriber is not required to forfeit his unused talk time amount when he goes for a subsequent recharge.

1.4 In the current tariff framework, service providers have the flexibility to provide tariff plans and schemes suited to various consumer segments. The requirement of seeking prior approval has also been relaxed and the service providers are required to report the tariff to

Authority within seven days of its implementation. There are a large number of tariff plans and schemes available in the market with varying combinations of fixed charges and recurring charges both in postpaid and prepaid platforms. This flexibility in tariff for various telecom services, the increased competition and various other policy and regulatory initiatives by Government and Regulator led to reduction in the rates of telecom services to the consumers which in turn contributed to the phenomenal growth of these services in the country.

1.5 In the prepaid platform the telecom service providers offer a number of recharge options which inter-alia include different processing fee, talk time component and the validity period during which the talk time could be used. In the initial stages, the operators launched recharge coupons with a minimum validity period. However, in course of time recharge coupons with longer validity period appeared in the market.

1.6 In the month of December 2005 several operators announced and implemented tariff schemes with lifetime validity (with free incoming calls). Since such tariff schemes are being implemented for the first time, actual data on traffic, cost and revenue are not available. Under these circumstances, it is difficult to examine the viability of such plans of the service providers. The Authority also recalled that one of the service providers had recently launched a two year scheme not requiring any recharge for terminating calls. At the time of examination of this scheme, the Authority had examined the relevant traffic data of the concerned service provider and had found that as per that data and the present IUC regime, the scheme could be viable with minimal assumptions. However, in respect of the recently launched lifetime tariff schemes by the other mobile service providers, they had neither given data for examining viability nor assumptions/basis for arriving at a reasonable conclusion. Therefore, the Authority issued orders under section 12 (1) (a) of TRAI Act seeking information/data relating to traffic, cost and revenue details from all those service providers who have announced and implemented tariff schemes under the name and style of lifetime validity or unlimited validity or lifelong validity etc. This would help in examining the sustainability/viability of these schemes. There are number of parameters that come into play and in the absence of operator's data on such variables, it may not be possible to come to a firm conclusion on the viability/sustainability of such schemes. Besides, there are other issues arising out of these plans and hence the Authority needs to consult the users, Service Providers and all other interested parties about the impact of such long-term plans.

1.7 This Consultation Paper discusses various aspects of tariff schemes with lifetime validity and its impact both on the consumer and the telecom sector. The Authority seeks the comments and views of stakeholders before framing appropriate regulatory policy with reference to tariff schemes with lifetime validity.

CHAPTER 2

2.1 Broad Features of Life Time type tariff plans.

Most operators have offered lifetime validity scheme in the prepaid segment. Few operators have also extended the concept of lifetime validity to postpaid tariff plans as well. Many operators have filed such tariff schemes with TRAI. Information on these schemes are also available in the websites of the service providers. The following are the general features applicable for tariff schemes with lifetime validity.

- In the prepaid plans, the lifetime validity entails a subscriber to enjoy incoming calls for an indefinite period in lieu of an upfront payment. Whereas in the postpaid plans the lifetime concept implies that the subscriber availing these plans need not pay compulsory fixed charges like monthly rental.

- The upfront payment involved in the prepaid plans with lifetime validity is around Rs.1000/-. A talk time content in the range of Rs.25/- to Rs.100/- is also available for the subscribers.

- Most operators have extended full talk time in all subsequent recharges for such subscribers with lifetime validity. Few operators have made provision for choice of any other available tariff schemes by subscribers who opt for lifetime validity schemes.

- Call charges in these schemes are on a higher side. In general, local calls are charged at Rs.1.99 per minute and STD calls are charged at Rs.2.99 per minute.

- Some operators have prescribed minimum of one outgoing call or incoming call or a recharge to be effected in a period of 6 months as a precondition for continued connectivity. Some operators have mandated recharge within a period of six months for continuity of the lifetime scheme.

CHAPTER 3

Viability/Sustainability in the long run:

3.1 The viability of a tariff plan can be examined by looking at the cost and revenue streams relevant for the tariff plan. The cost components relevant in such analysis are Incremental CAPEX and Incremental OPEX. However, in evaluation of such lifetime tariff plans, a number of parameters come into play. Operators vary in size and in coverage. Operator's strength differs on a number of other parameters. The lifetime plans have just been launched and for arriving at conclusions on the viability etc. it is important to analyze the data after a reasonable period of operations. These data need to be obtained from all the operators who have launched lifetime tariff plans. TRAI has sought data from operators to enable a comprehensive analysis of viability of such tariff schemes.

3.2 The immediate benefit of such schemes with lifetime validity would be a sharp rise in acquisition of subscribers which will increase the tele-density of the country. Considering the affordability angle, particularly for the low-income section of the population and for those in small towns and semi-urban areas, connectivity at such economical level should be considered as a welcome feature. When mobile operators start covering rural areas, it would be advantageous for the consumer to use the mobile phone for connectivity instead of depending upon only on the fixed phone where there is an element of Monthly Rent.

3.3 Popularity for the lifetime plans stems from the following features:-

- The consumer need not pay any fixed monthly charges either in the form of rental or in the form of processing fee.

- The consumer need not worry about recharging to keep himself connected and thus it provides immense flexibility and convenience.
- It is enough if one incoming call is received or outgoing call is made or one recharge is made in six months time.
- Low upfront payment required to be made for lifetime connectivity and thus attractive to consumers of the lower income level.
- The condition of full talk time available for subsequent recharges offered by most operators.

3.4 It may be recalled that at one point of time the Authority had to mandate a minimum validity period of 30 days and a recharge coupon for a minimum value of Rs.300 by amending the Tariff Order in the year 2001. Since then the sector has come a long way and there is no doubt the competition in the market is intense and the market has witnessed many innovative plans including long-term validity schemes.

Implications for growth of the sector:

3.5 A huge growth in the subscriber base of mobile telephony is likely to take place in the immediate future. Signs of this are already evident from around 4.5 million additions of mobile connections reported for December, 2005. Now that entry cost for life time mobile connectivity has been reduced to become affordable to a very large section, the usage profile of the newly acquired subscriber will be far different from the existing ones. That is to say, the proportion of incoming to the total minutes of usage may go up in mobile telephony. Concurrently, there could be a sharp rise in the generation of Out-going calls from the fixed line networks to be terminated in the mobile networks. Spectrum availability according to one operator will be a major constraint in main cities with the expected explosive growth of mobile subscriber base, in the near future.

3.6 One other view on the implication of the life time validity offer at about Rs.1000/- is that, it may itself act as a barrier for mobile number portability (MNP). Service providers who are not in favour of MNP could take the position that MNP would be irrelevant once every mobile operator has acquired a huge proportion of subscribers in their life time tariff plans.

Is it predatory pricing?

3.7 "Predatory pricing is the practice of providing services that are low enough to drive competitors out of a market, so as to monopolize the market." (Telecommunication Regulation Handbook, infoDev, 2000]. Predatory pricing is a difficult type of conduct to prove in the telecommunications industry. In general terms, predatory pricing is a situation where a dominant firm [with Significant Market Power) charges low prices over a long enough period of time so as to drive a competitor out from the market or deter others from entering and then raises prices to recoup its losses.

3.8 To prove instances of predatory pricing, number of elements or tests must be satisfied. The prices at issue must be "unreasonably low." They must be shown to be "designed to" "substantially lessening competition or eliminating a competitor". There must be reasonable expectation that the predator will be able to recoup its losses after its predation ends (e.g. after competitors are driven out of the market). From an enforcement standpoint, all elements must be met, and no case can proceed without each element being satisfied.

3.9 In the Telecommunications Sector prices set below Long Run Incremental Cost or Total Service Long Run Incremental Cost is likely to be regarded as "unreasonably low", unless there is a clear justification. Finally, if prices fall below this level, then a number of other factors are considered, including the existence of excess capacity and direct or indirect evidence of intent to use pricing for an anti-competitive purpose.

3.10 The context before us is that the Life Time offers have been made by almost all mobile operators irrespective of their size. In another consultation paper (on Differential tariffs in respect of on-network calls) the Authority has analysed the empirical evidence relating to market share of various operators. The analysis indicated reduction in the concentration ratio pertaining to market share of operators in various circles. The Authority has not so far received any complaint alleging predatory nature of the tariff plans with lifetime validity.

Customer Lock-In

3.11 Another key issue in this context relates to whether 'Life Time Offers' of the mobile service providers amount to 'Lock-In' of the customers and if so whether it amounts to an anti-competitive conduct.

3.12 Subscribers acquisition through agreements that make it difficult or uneconomical for a consumer to move to another operator/service provider or move from one package of tariff to another is one form of Lock-In. However, not all agreements that lock-in customers are anti-competitive. Most do not require or warrant regulatory interference. There could however be cases, where a dominant competitor locks-in customers in advance of introduction of competition, that merit regulatory review.

3.13 When a consumer is required to pay a penalty for breaking an existing contract with a service provider/supplier, or when he/she is required to incur cost to move from one supplier to another, that consumer is said to be incurring what is known as “Switching Costs”. In these strategies, firms often use contractual means to ensure customer loyalty, for a long period of time.

3.14 In the ‘Life Time Offers’, the Switching Cost is the upfront payment made by the consumer, because the scheme does not offer any refund – full or partial – on the exit of the subscriber from the scheme. When firms use contractual means to ensure customer ‘loyalty’ there is a strong incentive to use Switching Costs as a method of preventing customer churn. It is said* that Switching Costs combined with economies of scale or network effects can have the effect of preventing or reducing the prospects of competitive entry, because it can be harder for competitors to detach existing customers from the firm experiencing economies of scale. ***(Source: ‘Regulating Competition, Interconnection and Prices’, InfoDev, December, 2005)**

3.15 The following issues then need to be addressed:-

- Whether there is a choice of tariff plans for the customer at the time of opting for Life Time tariff offer?
- Whether all the competitors in the market have been able to respond to the initial offers made by the first movers and are capable of sustaining it?
- Whether the consumers perceive that the penalties (i.e. foregoing the upfront payment) to be incurred to move to any other tariff package on offer (i.e. break the contract) are less than the present value of ‘competitive prices’ they are to pay otherwise over the duration of the ‘Life Time’? E.g. At the time of

migrating from a lifetime tariff plan to any other tariff plan on offer, the consumer makes an informed choice. At that time, if the consumer perceives more benefits in moving to any other package offering competitive tariffs, even after foregoing the upfront payment made for the lifetime tariff plans, then the entry cost in this life time offer could be considered as not 'high' to deter consumers from exiting.

CHAPTER 4

Protection of Consumer Interest.

(a) Life Time Validity

4.1 Definition

The Dictionary definition of lifetime –

- The duration of a person's life
- The duration of a thing or its usefulness
- The period of time during which property, an object, a process or a phenomenon exists or functions
- The period during which something is functional

(Source: The Concise Oxford Dictionary; www.thefreedictionary.com)

4.2 Licenses of the service providers are valid for a specific period. This varies from operator to operator and from circle to circle for the same operator. On expiry of the current license, the operators have to renew their license after going through the laid down procedures at the appropriate time. Operators have in general mentioned in their promotional material for marketing that lifetime validity is subject to licensing/regulatory guidelines, etc.

4.3 In this background, how should the lifetime validity be defined?

a) Should the lifetime validity be defined to mean the validity of the current license of the service provider and if so, should the operator then be asked to indicate the balance period of the license?

b) Should the lifetime validity be defined to mean the period for which the licensee is permitted to provide the service subject to renewal of the license?

4.4 Most operators have advertised and declared tariff schemes having lifetime validity. The normal pre-paid recharge vouchers available in the market, generally carries a validity period within which the subscriber has to consume the available talk time. As per the Telecommunication Tariff (30th Amendment) Order notified on 16.1.2004, all services which do not affect 'talk time value' including incoming voice call, SMS shall continue to be available to the pre-paid subscribers during the entire validity period even after the talk time value is exhausted. This provision would mean that subscribers have the right to receive incoming calls / SMS etc., during the entire validity period that may be prescribed by the operators.

4.5 The concept of life time validity would mean that there is no restriction in terms of time during which the talk time could be utilized and also that the subscriber would continue to get incoming calls for an indefinite period i.e. life time. Since these schemes are declared and marketed as having lifetime validity, the service providers have undertaken the obligation to continue to extend the validity as long as they have the permission to provide telecom service. Subscribers to the lifetime package are committing themselves to such plans on the understanding that they could continue to enjoy connectivity for an indefinite period i.e. lifetime. Tariff reports in this regard filed by certain operators state that validity for lifetime is subject to change in regulatory or license conditions in the future. Licenses to provide telecom services are granted for a specific time period in each service area. Unless and until the subscriber is informed about the expiry date of current license of his operator in that service area, he will have no idea on the minimum assured validity period under such schemes. From the point of view of a consumer, the disclosures by the Service Provider need to be more transparent and the title should truly reflect the actual offer.

(b) Protection from hike in tariff:

4.6 As per the Telecommunication Tariff (31^{st} Amendment) Order, 2004 notified on 7^{th} July, 2004, no tariff item in a plan shall be increased at least for a period of six months from the date of enrolment of the subscriber to that plan. This amendment order also reiterates the right of a subscriber to choose any tariff plan at any time. These provisions are applicable for normal tariff plans offered by an operator.

4.7 In the schemes with lifetime validity, special features have been provided. Since these schemes involve an upfront payment in lieu of such special features, the right of the subscriber to move to any other plans of his choice gets restricted to the extent that he has to forfeit the upfront payment made, unless appropriate exit options are provided. In this situation it is essential to ensure that the interests of subscribers are not adversely affected by any action of the service provider while the subscriber remains under this tariff scheme. There may be a possibility of service providers changing the declared features of the plan including call charges, to the disadvantage of the subscribers of this plan at a future date. As the subscriber is getting himself locked in to the plan for a long period after considering the benefits and features offered, his right to get the services at the chosen price level and features is much more than the six months period envisaged in TTO (31^{st} Amendment). Thus, there may be a need to restrain service providers from changing the features of the plan to the disadvantage of the subscriber even after the six month period.

CHAPTER 5

Current regulatory framework:

5.1 In the current regulatory framework, Service Providers have the flexibility to offer tariff plans and schemes suited to various consumer segments. Keeping in view the intense competition in the sector and the need for operators to quickly respond to innovative tariff schemes launched by competitors, the Authority had dispensed with the requirement of seeking prior approval of the Authority by service providers. Currently, the service providers are required to report their tariff plans to the Authority within seven days from the date of implementation after conducting a Self-check to ensure consistency of the tariffs with the relevant regulatory principles which inter-alia includes Tariffs being IUC Compliant, Non-discriminatory and Non-predatory. All the operators have already launched campaigns/advertisements wherein an impression has been conveyed to the subscribers that the new tariff scheme has lifetime validity. The expiry of the license period has not been conveyed at all.

5.2 Since no prior approval of Authority was required, TRAI had no opportunity to examine the viability of such schemes or consumer protection measures pertaining to such schemes before these were actually launched in the market. It is learnt that quite a number of subscribers have opted for this scheme on the understanding that this will continue to have validity for life.

5.3 In order to avoid such situations, one option that would be available is to revert back to the Ex-ante tariff regulation making it obligatory for operators to seek prior approval of the Authority before implementing tariff changes. Prior to the issue of TTO (30th Amendment) on 16th January 2004, service providers were required to file tariff plans at least five working days prior to its launch in the market. While moving from the regime of Ex-ante tariff regulation to ex-post tariff regulation, the Authority took note of the level of competition in the sector and several other factors. After review of the IUC Regulation by the Authority, a Self-Check regime was specified under which service providers were permitted to implement the tariff plans after conducting a Self-check of their tariffs with the regulatory principles including tariff being IUC Compliant. The IUC Regulation 2003 notified on 29th October 2003 stipulated cost-based Interconnect usage charges. The Authority took the view that the declining tariff environment was an ideal time to switch over from an Ex-ante tariff regulation to Ex-post tariff regulation meaning thereby, complete freedom would be given to operators in the matter of offering tariff plans in the market within the framework of the existing TTO. The Authority had already laid down broad regulatory principles to determine as to whether a particular manner of pricing service is anti-competitive/discriminatory etc. Further the Authority had forborne with the main tariff items in Cellular and Basic services (except rural subscribers tariff & roaming tariffs). The IUC regime specified by the Authority reflected the underlying costs for providing the service. Also the IUC charges as specified would implicitly function as a floor to the retail tariffs [on weighted average basis in some cases] and therefore the scope for predatory pricing or cross-subsidization was limited. The Authority was also of the view that the practice of seeking approvals to a large number of plans some of which are not even implemented creates needless pressure on the limited resources of the Authority. Thus the purpose was also to avoid undue pressure on regulatory resources as well.

5.4 The grounds which formed the basis for relaxing the provisions of reporting requirement are still valid. The competition in the market has become more intense, thus the need for operators to quickly respond with competitive schemes has become even more relevant today. In fact the tariff schemes with lifetime validity have been launched by competing operators within a very short period. Requirement of seeking prior approval, if re-introduced, would be a big limitation for operators in launching competitive schemes in the market at short notice.

Asymmetric Regulation:

5.5 One other option that could be considered is introduction of Asymmetric regulation, which is prevalent in certain countries. There are different forms of asymmetric regulation. One type is where only the incumbent operator is subjected to ex-ante regulation like prior approval of tariffs. Another version of asymmetric regulation is requiring the dominant service providers with Significant Market Power to obtain prior approval of the regulator for offering any tariff in the market. Asymmetric regulation can also take the form of requiring the operator with more than one service e.g. mobile and fixed services to obtain prior approval for tariffs in the competitive segment. In fact TRAI introduced such an asymmetric regulation in September 2002 vide 23rd Amendment to TTO. Such asymmetric regulation was not found favour in judicial scrutiny and TRAI, vide a subsequent amendment to TTO, made the reporting requirement uniform for all operators. The principle of asymmetric regulation is followed in several developed and developing telecom economies with independent regulatory authorities. For example, the dominant carrier is subjected to additional regulation in Hong Kong, Singapore, Vietnam, Pakistan and in many OECD countries. To illustrate this point the regulatory practice of IDA, Singapore is given in Annexure 1.

CHAPTER 6

International Practices:

6.1 Efforts were made to find out the experience in rest of the world regarding the availability of a telecom service on a 'lifetime basis'. One case that has come to our notice in this regard is the 'Phone for Life' offer made by RNK Telecom, a privately held telecommunications carrier that provides wholesale services to Broadband providers and carriers in the United States. The first ever VoIP **'Phone for Life' plans** was offered through resellers in Massachusetts, New York, New Hampshire and Rhode Island in 2004. The key features of **'Phone for Life' plans** are as under:-

- For $ 999 the company offers lifetime internet phone calls.
- Unlimited calling to domestic US locations, Canada and 20 other countries, plus 21 additional foreign cities.
- 60 day money back guarantee;
- Guaranteed 50% refund if the customer is not satisfied after 5 years (minus charges for some calls).
- Full features including caller ID, voicemail notification via email, call forwarding and call return.
- Ability to move to a new residence and keep the same phone and number or add new numbers.

6.2 Press Reports on 'Phone for Life' Plans

- Life expectancy is no longer a business concern merely for insurance companies and undertakers. A telecommunication company has more than a passing interest now that it offers a lifetime of unlimited calls over the Internet for $ 999.

- RNK Telecom consulted actuarial tables and considered the average US life expectancy of 77.4 years in setting the suggested one time price for its VoIP service plan, said President and Chief Executive, RNK Telecom.
- 'We would like to be able to have a customer for life' said the CEO.
- RNK Telecom has agreed to make the services transferable to heirs, meaning it could continue in perpetuity.
- The company also promises to switch customers over to any technology that renders VoIP obsolete.
- With rivals VoIP services costing $ 25 to $ 30 a month RNK's lifetime deal potentially could pay off after about three years.
- RNK is a fully-licensed, tariffed telephone company with numerous interconnect agreements with local, wireless and international companies: it is also one of the most profitable CLECs in the US.
- In 2005 RNK Telecom announces Record-Breaking growth; VoIP resellers leap 200%; Network minutes hit 9.5 million daily

(Source: Reuters, December 6, 2004, Associated Press, www.rnkvoip.com; usatoday.com; blog.tmcnet.com; www.msnbc.msn.com)

CHAPTER 7

7.1 Issues for Consultation:

Issue 1: Long-term viability and sustainability of tariff schemes with lifetime validity.

Background: These plans are likely to be more attractive for subscribers who expect lesser number of outgoing calls. The operators will not have any fixed revenue not linked to usage from such plans. In this situation, long term viability and sustainability of these plans may be an issue of concern.

Question 1. Whether tariff schemes with lifetime validity would have long-term viability and sustainability? Please provide reasons for your answer.

Issue 2: The concept of lifetime validity.

Background: The operators have marketed and offered the scheme promising lifetime validity. An ordinary subscriber who avails the scheme expects that there will be no restriction in terms of time on its validity. The licenses to provide telecom services are granted for a fixed term. The balance un-expired period of license vary from operator to operator and circle to circle. Subscribers do not have any idea of the date of expiry of license of his operator. One view could be that since the operators have marketed the schemes as having lifetime validity, the validity should continue to be available as long as the service provider has permission to provide service either under current license or renewed license.

Question 2. Whether lifetime can exceed the balance license period of the operators and if not, would the plans vary in their validity duration? Please provide reasons for your answer.

Issue 3. Change in traffic patterns and IUC Regime**.**

Background: The viability of any tariff plan is assessed inter-alia on the basis of traffic patterns of an operator. In the lifetime validity schemes the general traffic pattern data may not be relevant since incoming traffic in such schemes would be predominantly high. These schemes having been implemented only recently, there is no data available on the pattern of traffic that would emerge. Similarly, the Interconnection Usage Charges including Termination Charge has been specified based on the general traffic pattern.

Question 3 : What will happen to the plans if the traffic patterns and Interconnect Usages Charge (IUC) regime changes substantially? Please provide reasons for your answer.

Issue 4: Protection against hike in tariff.

Background: TTO (31st Amendment) provides protection to a subscriber from hike in any item of tariff at least for a period of six months. Since in the tariff schemes with lifetime validity an upfront payment is involved, there is a need for protection against hike in tariff even beyond the six months period envisaged in the 31st Amendment. One option would be to mandate that no tariff item or other declared features as available at the time of enrolment of a subscriber shall not be altered to the disadvantage of the subscriber during the entire promised validity period.

Question 4 [a] What are the possible measures to Protect interest of consumers who are subscribing to lifetime tariff plan ? Please provide reasons for your answer.

Question 4(b): What should be the nature of the penalty on operators should they renege on the contract of Life Time Offer?

Question 4 [c]: Should the Authority mandate that the features/call charges in the lifetime period offers shall not be altered to the disadvantage of the consumers during the entire period?

Issue 5 : Implications for the orderly growth of the telecom sector.

Background: The schemes with lifetime validity could result in sudden growth in subscriber base and the volume of traffic. There could be possibilities of network congestions and deterioration in other Quality of Service parameters. There could also be an apprehension that such tariff schemes in a highly competitive market could lead to 'tariff war' that may result in financial viability of operators becoming a matter of serious concern. The basis of this concern emanates from the fact that the cost profiles differ from operator to operator. Operators vary in size and in coverage. Operator's strength differs on a number of other parameters. Operators who have presence in one, two or few circles have to necessarily follow the path set by large operators having pan India presence.

Question 5: What could be the possible implications of tariff schemes with lifetime validity for the orderly growth of the telecom sector ? Please provide reasons for your answer.

Issue 6 : Exit option.

Background: In tariff schemes with lifetime validity subscribers are to make an upfront payment in lieu of connectivity for life and other specific features. Theoretically exit options are available to the consumer in the sense that a consumer can opt out and choose any other tariff plan but in such cases it appears from the tariff plans that there is no provision for refund. Ideally, exit options are considered relevant only when the entry costs are very high. At the same time one may argue that the subscribers who have made upfront payment may consider the switching costs to be high.

Question 6: Is there any need to spell out exit options in the case of tariff schemes with lifetime validity? If so, what are they? Please provide reasons for your answer.

Issue 7: Asymmetric Regulation:

Background: Asymmetric Regulation is prevalent in several Telecom Jurisdictions. The type which is considered relevant for markets that are in the developing stages is the one where the dominant carrier is required to obtain prior approval of tariffs from the Regulator before launching the same in the market.

Question 7: In the light of the current experience with the Life Time Type tariff plans, should TRAI introduce Asymmetric Regulation requiring the dominant operator in the concerned service area to obtain prior approval of tariffs from the Authority? Give reasons for your answer.

Annexure 1

Regulatory practice of IDA, Singapore

In Singapore, a dominant licensee must file a tariff with IDA, obtain IDA's written approval prior to offering, or modifying the terms on which it offers, for a number of telecommunication services including standardized services designed for residential customers, business customers, specific customers and promotional services, etc. The information to be included in any proposed tariff filed by a dominant licensee for approval must provide the following:-

- Fully and clearly describe the telecommunication service to be offered;
- Contain a clear statement of the prices, terms and conditions (including any eligibility requirements) on which the dominant licensee offers to provide the service;
- List any discounts or special considerations that the dominant licensee will offer and the requirements that must be satisfied (such as minimum volume or term requirements) to obtain those discounts;
- List the minimum period of time during which the service will be available and the minimum period of time, if any, during which the dominant licensee will not increase the filed rates;
- Be self-contained and must include charges for any telecommunication service or equipment not generally subject to tariff regulation when offered as part of a package.

(Source: www.ida.gov.sg)